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OR

THE PRESENT DISTRESSES CONSIDERED

W. R. A. PETTMAN

Reprints of Economic Classics

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AN OUTLINE OF A PLAN FOR THE ESTABLISHMENT OF A NATIONAL CURRENCY, THAT WOULD HAVE A FIXED MONEY VALUE, PROPOSED

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W. R. A. PETTMAN

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W. R. A. PETTMAN,

CAPTAIN IN THE ROYAL NAVY, AND AUTHOR OF "AN ESSAY ON POLITICAL ECONOMY," "CURSORY SUGGESTIONS ON NAVAL SUBJECTS," &c. &c.

"No man does so great a service to the world, as he who attempts to simplif what is intricate and perplexed."

BURDON.

LONDON:

JAMES RIDGWAY,

PICCADILLY.

MDCCCXXX.

PREFACE.

Although the author's Essay on Political Economy has been more favourably received by the public than, from the novelty of the theories it contains, he had any right to have expected, he has to regret that his arguments, suggestions, and propositions, have been much misrepresented; and this misrepresentation he attributes to the circumstance of their having been considered in detached parts, rather than in connected links, as forming a distinct whole. For instance, he has been represented as having advocated a reduction of rents, a fall in prices, an increase of taxation, and an increase of debt, and as having advanced the monstrous doctrine, that the public debt and taxation might be increased "*ad infinitum*." These misrepresentations were doubtless occasioned by the circumstance of his having proved that the rental of the cultivated land in the United

Kingdom had increased, during the war, to a greater amount than taxation, and that *the increase* in the money value of agricultural produce annually raised exceeded one hundred and fifty millions: and in consequence of his having shewn, that the public *might* be benefited by augmenting the debt and increasing the taxes. Had, however, the readers of the articles in which these theories and facts are advanced, read the arguments and propositions contained in the other parts of his work, they would have found that his reasoning went to prove, *that the incomes of no class of the community could be reduced without causing a corresponding reduction of income in the other classes;* that incomes are generally regulated by prices; and that the measures he recommended, would, if adopted, have led to *a reduction* of debt and taxation, and to an advance in wages, in prices, and profits, and to an increase of income to every class of the community, with the exception of annuitants.

To prevent, therefore, similar misrepresentations, and to make his theories clear to the apprehension of every class of readers, he, in the following pages, has repeated the same, or nearly the same, arguments and mode of reasoning to establish each position. But in doing this, he has also had another object in view. All political economists contradict themselves and each other; they advance reasonings to prove one position, which they *refute* by directly opposite reasonings

to establish another position. For instance, Mr. Ricardo, and the political economists of his school, contend, that taxation and high wages are evils; but that high rents and large profits are beneficial to the community, by reason that they enable landlords, and the producers of products, to find employment for the working classes. Now here is a direct contradiction: rents *are taxes* under another name; and wages *are profits;* and the expenditure of the money received in taxes, and in wages, must be equally beneficial to the community, and will create as great a demand for the services of the working classes as the expenditure of what is acquired from rent and in profits; the whole of which is derived from the same source:—from the expenditure of the whole community.

No theory can be sound that is not founded on facts, or that is not consistent in all its bearings. No contradictory theories will be found in these pages:—that which may at first view be considered as such, will, on a second perusal, be found to be perfectly consistent in all its parts.

The frequent repetitions of the same strain of reasoning, under different heads, and almost in the same words, in order to establish similar results from different positions, may, probably, be far from obtaining the approbation of the studious reader, or the commendation of the hasty one; but the real and anxious object of the author has

been to render his arguments clear: and in his attempt to do this he has made use of the most familiar terms: and, as repetition is the life of instruction, he has not been backward in giving it a more prominent feature, in a subject of such general importance, than he otherwise should have done. It may, perhaps, be said, that he has rung the changes on the positive and incalculable advantages that nations ever have derived, and ever must derive, from the full, uninterrupted, and persevering employment of the working classes, and from the beneficial tendency of paying them good money wages; and it is conceded that he has done so because the absolute propriety of paying to all the labouring classes the fair and full value of their respective earnings, is founded on the soundest principles of humanity, and of *national prosperity;* and unless these particulars are diligently and discreetly attended to, nations cannot be permanently prosperous; for the working classes of a nation can never be injured without injuring the prosperity of the nation at large in which they reside. When labour is discouraged, agriculture, commerce, trade, and the arts are discouraged; and wealth, power, and respectability sink gradually into decay: and it cannot be otherwise.

The author, therefore, presumes to hope, that such of our legislators as may honour this work with their attention, will not form their opinions

on the arguments it contains by a hasty perusal. He trusts they will bear in mind, that, however able they may be, they cannot make themselves masters of any science without studying it in all its various points, bearings, and experimental results. A knowledge of the science of political economy is no more to be acquired by an hasty perusal of any book that may be written on it, than is a knowledge of the English language to be acquired by an *hasty* perusal of Murray's Grammar.

Although abler men would have understood these subjects much better than the author pretends to do, and might have explained the result of their inquiries much clearer than he is capable of doing, had they bestowed even less time and labour in the study of them than he has done, and had had less experience in the world than he has had ; yet the ablest of men cannot understand them unless they study them with attention: much less can they enter into the spirit and true principles of the science, by merely reading and studying the fallacious and contradictory theories that have been advanced and published by professors of political economy.

The author is, however, sanguine enough to entertain a hope that should His Majesty's Ministers honour this work with their attention, they will admit the soundness of the theories it contains, and have recourse to measures, which, if

adopted, would benefit every class of society, and the world at large. In which case, he will have the conscious satisfaction of reflecting, that the very short period of his life, in which he has been unemployed in his professional duties, has not been useless to his country.

Sandwich, January 30*th*, 1830.

CONTENTS.

TO THE READER.

In page 193, line the first, instead of "The people of those nations," the reader is requested to read, *The South American States, and Spain and Portugal.*

CAUSES OF DISTRESS,

&c.

PRELIMINARY OBSERVATIONS, AND SUMMARY OF CONTENTS.

We have been taught to believe by writers on political economy, that a reduction of taxes and low prices, would benefit the trading and labouring classes. We, however, have found, from experience, that in proportion as taxes have been reduced, and prices have fallen, the distresses of all classes, excepting annuitants, have been increased. And such distresses have been imputed by legislators, and by political economists, to each of the following contradictory and directly opposite causes, *viz.*

To taxation—the public debt—high rents—the large government expenditure—the change in the currency—the limited issue of paper money—the excessive issue of such money—over-trading,

—a falling off in trade—prohibitory laws—free trade—excess of money capital—the exportation of such capital in loans to other states—over speculation—the want of employment for money capital, by reason of its owners not embarking it in speculations—low prices—high prices—low wages—high wages—an excess of products—a deficiency of products—a gold currency—a paper money—a deficiency of gold—the abstracting the metallic wealth from other nations—the inability of the trading community to obtain advances of credit from bankers—to too extensive an issue of such credit—and, to the corn laws.

Such are the contradictory causes that have been assigned, by public writers and legislators, in the various attempts that have been made to account for the existing distresses. And the late Lord Liverpool was reported to have asserted, in the House of Lords, in 1826, that, "whoever might suggest the best measures for surmounting the difficulties with which the corn question was beset, would render the most important services to his country."* This declaration of his lordship, and the contradictory theories advanced, and measures proposed and advocated, by our legislators, sufficiently proved that the science of political economy was not understood; and as the author of the present work had been reared in

* See Parliamentary Debates for 1826.

a profession in which he had seen achievements performed, that, in former days it would have been deemed an act of madness to have attempted, and had been familiarised to the doctrine, that what one can do, another may be made to do: and had also been induced to believe, that there are few difficulties that may not be surmounted by zeal and perseverance; he conceived that he could not better employ the short intervals in which he has been unemployed in the active duties of his profession, than in endeavouring to discover, if possible, the cause of the evils complained of, and to suggest measures that might effectually remove them.

At this period he, in common with the public at large, was so strongly impressed with the conviction that the public debt, taxation, high rents, and high prices, were all evils, that, had any one ventured to have asserted that the incomes of the people, and their ability to purchase the necessaries of life, *were increased by paying taxes and high prices,* he would have considered such person as a fit subject for a lunatic asylum. But, by tracing effects *to their causes,* he has ascertained that such is the *fact.* By tracing effects to their causes, he has ascertained that almost all the opinions he had heretofore imbibed on these subjects were founded in *error,* and directly opposed to FACTS. And, with this conviction on his mind, he, on his return from foreign service in 1828, pub-

lished an Essay on Political Economy,* in which he ventured to advance theories, and to recommend measures, which he then thought, and still thinks, were calculated to remove the delusions under which, he believed, and still believes, our legislators, and the public generally, labour respecting high prices, taxation, rents, the public debt, and the large government expenditure,—and which, he was sanguine enough to hope, would have given birth to measures that might benefit every class of society. But although this work has been generally well spoken of by those who have read it with attention, he finds, from the continued prevalence of opinions which it was his object to combat, that the arguments, facts, and suggestions it contains, are either little known, or are not deemed conclusive. And believing as he does, that the facts and reasonings on which his theories are founded *cannot be controverted*, and having many *additional facts and arguments to advance* in support of those measures which, he is impressed with the conviction, would, if adopted, benefit every class of society, and at the same time augment the resources of the nation, he feels that, so believing, he should be wanting in duty to his king, his country, to the government, and to society at large, were he not to persevere in his

* Published by Whittaker and Co., Ave-Maria-lane.

exertions to bring them under the consideration of abler men.

The facts which he endeavoured in his late work to prove, and which it is his present purpose to establish by additional details and arguments, are to the following effect:—

That money originally emanated from kings and rulers of states—that it was *first* issued in payment for the services and products of their subjects, and exacted *back* from the community at large, *in lieu of that portion of personal services* which every man owes to the government under which he lives for the protection of his person and property from foreign and domestic foes; and that, therefore, money is merely *credit*,—a substitute for labour, of which it is the representative.

That labour was "the first purchase money," and that all money incomes are derived, either directly or indirectly, from profits on labour.

That the *money* value of products is regulated by the money value of labour; and that all property has been *invariably* increased or decreased in money value in proportion as the state has increased or decreased its purchases of the services and products of the people.

That whenever the state has increased its expenditure, the trading and labouring classes have been prosperous; and that whenever the state has decreased its expenditure, they have *invariably*

been in distress, and that it could not be otherwise.

That the taxes are paid with paper money, which emanates from the state, and which would not have been issued, nor *have become money,* nor *been acquired by any class of the people,* had it not been expended by the state: and that therefore it is the state that has supplied the community with the means of paying rents and taxes *in money.*

That all paper money is CREDIT;—that all CREDIT is DEBT;—that all DEBT is MONEY CAPITAL, and all MONEY CAPITAL DEBT.

That the capital of the Bank of England, and the property of money capitalists, consist of PAPER SECURITIES, and that all such securities are DEBTS.

That gold, silver, and all foreign articles, are *generally* purchased, in foreign nations, as well as in England, with paper credit.

That Mr. Peel's Bill did *not* so operate as to occasion a fall in prices, or to cause any change in the exchangeable value of money, *until* the panic of 1826, and that the distresses of *that period* were chiefly produced *by the speculations of money capitalists.*

That all incomes are paid out of *the proceeds of labour and products;* and that therefore the incomes of all classes, excepting annuitants, are regulated by the rate of wages and prices.

That the rate of wages and prices is regulated by the expenditure of money and credit, and *not*

by the quantity of coin *in the country*, nor *by the quantity with which such expenditure is made*, nor by the value of the article of which such coin is composed.

That the aggregate of the proceeds of labour and products is the aggregate of income.

That the fall in prices has been wholly occasioned by a reduction of expenditure, and *not* by a deficiency of money or coin.

That the fall in prices since 1813 has depreciated the money value of farmers and graziers' capital, to the amount of more than one hundred and fifty millions, and the average money value of the produce annually raised to the same amount: and that all other property has been depreciated in nearly the same ratio.

That the rise in the funds, instead of being a proof of the prosperity of the country, proves the reverse; inasmuch as such rise is a proof that the circulating property accumulates as deposits in banks; and that, therefore, there must be so much less expended in the purchase of labour and products.

That the expenditure of one man gives a corresponding increase of income to others.

That whatever money is acquired by the different classes of the community should be re-expended by the parties who acquire it, or by others; and that, *if it be not re-expended*, the aggregate of the *proceeds of labour* and *products*, and of *income*, must be so much diminished.

That whatever money and credit are expended by the community, should be returned to the different classes from whence such expenditure emanates: *viz.*,

That what is expended by the state should be returned to the exchequer in taxes;—what landlords expend should return to them in rents, or as interest on money capitals;—what merchants, manufacturers, farmers, and tradesmen expend, should be re-exchanged for their products;—what professional men expend should be repaid them for their services, or as interest on their other capitals;—and what the labouring classes expend should return to them in wages; and that *the aggregate of expenditure should be increased in proportion as population increases.**

That all money incomes are derived from payments;—that all payments are made with a species of *debt;* and that the aggregate of expenditure and of income cannot, by possibility, be increased without increasing the aggregate of *debt.*

That a sufficiency of food cannot be raised in the United Kingdom to supply the demand, when the labouring population, who constitute the chief consumers, have the means of purchasing; and that, therefore, prices cannot be low when these classes are prosperous.

That lands of inferior fertility cannot be cul-

* This theory is not intended to apply to *individual* expenditure, but to the *collective* expenditure and receipts of the several classes.

tivated, and their produce sent to market at a profit, when prices are low; and that were such lands uncultivated, a great portion of agricultural labourers would be deprived of employment, and of the means of earning a sustenance for their families.

That agricultural nations would gladly and gratefully receive the goods and colonial produce of England, in exchange for their corn and other productions, would England consent to the exchange.

That by employing a *portion* of the unemployed labourers in increasing the supply of products, and *another portion* in cultivating waste lands, in making railways, in excavating canals, and in other public works, from whence future sources of wealth might be derived,—an ability would be given to every class of the community to purchase a larger portion of the necessaries of life; and the public debt and taxation might be reduced.

That with a gold currency the importations of foreign corn cause prices to fall; but that with a paper currency, such importations force up prices, and give to every class of the community, excepting annuitants, an increase of ability to purchase.

That although the change in the currency did not cause the fall in prices, yet, nevertheless, while the present currency exists, the nation

never *can* be prosperous, nor can any man's property that is embarked in trade be safe.

That the Bank Directors, and the great money capitalists, possess the power of increasing or decreasing the money value of the currency, by causing the supply of medium to be great or small, as it suits their respective interests.

That it is practicable and easy to establish a sound paper currency, that shall have a permanent and unchangeable money-value, without causing any loss to any classes of society;—and which would at the same time put a stop to all gambling in the public securities, and enable the state to make a rapid reduction of taxes and of the public debt. And,

That it also is practicable and easy to have recourse to measures that would find ample employment for the labouring population, augment the supply of the necessaries of life, increase the wealth and resources of the nation, and make an increasing population a blessing instead of a burden to the country.

Such are the facts which the author hopes to be able fully to establish, in the following pages.

SOURCE OF WEALTH.

The capital of the nation consists in the land and the people: and its wealth, its power, and its resources are in proportion to the number, the skill, the ingenuity, the industry, and the talents of the people, combined with the quantity and quality of products they are capable of raising from the soil, of creating by their labour, and of obtaining from other nations. Were, therefore, the science of political economy better understood than it really is, the wealth, the power, and the resources of the nation, and the happiness, the prosperity, and the comforts of the community, might be augmented in proportion as population increases; and an increasing population, instead of being, as it now is, a burden on the nation, would become a blessing, and be productive of benefits to every class of society.

In thinly peopled nations, in new countries, and in nations where there is not a great expenditure of money, there is scarcely any division of labour. The great mass of their people are, therefore, obliged to provide for their several wants by their own labour; that is, they are obliged to build, to cultivate their lands, and to mend and make for themselves;—hence, although, they, in general, have the means of acquiring a sufficiency of food, of one kind or other, to support life, they have but few enjoyments, and are

obliged to undergo numerous privations, and to dispense with articles that are considered by the people of England as constituting part of the absolute necessaries of life.

In old and densely-peopled countries, but more particularly in England, there are great varieties of trades;—one description of tradesmen excels in the art of manufacturing one particular article, and another in making, creating, or raising some other particular article: so that each workman, in general, confines himself to one branch of trade, or to one particular pursuit. By such a division of labour a much greater supply of products, of all descriptions, and of a superior quality, can be created, raised, and obtained by a thousand men, than could be obtained by the labour of ten times that number, were the land and all the property of the nation equally divided among the community, and were the members of each family required to supply their several wants by their own labour.

On an average, four families are sufficient to cultivate a hundred acres of land; hence all the cultivated lands in the United Kingdom *might* be cultivated by the labour of less than five hundred thousand families; and, by the aid of machinery, as many more families *might* manufacture more than double the quantity of clothing and other articles necessary to supply the absolute wants of the whole community. Were, therefore, one half of the labouring population employed in creating

articles of one kind or other, and in exchanging the surplus for the products of other nations, an abundance of all the necessaries of life might be obtained to supply the whole population,—the half of which might be what political economists denominate "unproductive labourers."

England consumes all the agricultural produce her land will yield; and, in times of scarcity, and when her labouring population are *in full employ*, and *possess the ability to purchase*, she requires an additional supply;—she also requires an annual supply of the natural productions of all nations, not any of which she would be able to obtain, were her people unable to manufacture goods, of one kind or other, that other nations will receive in exchange. But, by the skill, ingenuity, and industry of her people, assisted by machinery, a comparative small number of them are enabled to manufacture an abundance of numerous articles, that the wants of man require, and which, therefore, the people of all nations gladly and gratefully receive in exchange for their *natural* productions. Hence we find a comparatively inconsiderable portion of her population are enabled to produce articles by which we may obtain from other nations gold, silver, and a sufficiency of foreign articles, of every description, necessary to meet the wants of the whole community. From this cause, England has been enabled to appropriate a large portion of the services and products of her people to the use of the

state; and hence it is that the resources of England have been, and now are, greater than the resources of any other nation. For instance—suppose twenty persons embark in a speculation for their mutual benefit and advantage, and employ one of their partners as a manager, agreeing to pay him one tenth of the profits, be they much or little: If, by the use of machinery, five of the partners should be able to manufacture double the quantity of products that the whole were able to produce when their partnership commenced, and such products, on an average, should sell for double the price, fifteen of the partners might become unproductive labourers, while the income of the manager, and of each of the partners, would be quadrupled; and should the prices of their products continue stationary, even then the incomes of each partner would be doubled. It is precisely the same with respect to the nation. The nation is a company, and the state is its manager: and were trade perfectly free, and no duties imposed on foreign commodities, excepting for the purposes of revenue, more than double the quantity of foreign productions might be imported, in exchange for less labour than was expended in the purchase of a like proportion of foreign produce before the war. Consequently, as population has nearly doubled since that period, the state might employ more than double the number of labourers, and the ability of the re-

maining population to increase their purchases and consumption of all the necessaries of life, might be augmented in the same ratio. But,

When the labouring classes are unemployed, and are unable to obtain, in exchange for their services, a sufficiency of food and clothing to supply their wants, their capital, which is labour, is unproductive; they, therefore, instead of being, what they may be made to be, a source of wealth, become a burden on the community. Whereas, were they employed as productive labourers, they might create articles, of one kind or other, that the people of other nations would gladly accept, in exchange for their corn, wine, and other of their natural productions, which the labouring classes may be in want of,—one third of which would be sufficient for their wants, while the other two thirds might be appropriated, part to the state in revenue,—part to merchants, manufacturers, and tradesmen, in profits,—and part to landlords in rents; and by them re-distributed among unproductive labourers, in payment for their services. Hence the emigration of the labouring population is so much loss of the most valuable, the most profitable, and the most productive portion of the nation's capital.

All trade is barter: and gold and silver, bills of exchange, and public securities, are all articles of barter; and money, whether it be composed of gold, silver, or paper, is merely a species of credit; —it is the representative or substitute for labour

and products:—it is credit given in payment for the labour and products of one man, and exchanged for the services and commodities of others:—it is, in short, merely the medium by which the interchanges of the labour and products of the various classes of the community are facilitated and promoted.

Trade cannot flourish, nor land yield rent, neither can talents, skill, industry, or labour obtain their reward, unless facilities be afforded to the labouring classes to exchange their labour for the necessaries of life; and such facilities they cannot have, unless the trading classes can obtain a remunerating profit on the products they respectively create, or import; and such profit cannot be obtained, unless the aggregate of the money incomes of the community at large be sufficient to purchase the labour of the working classes, and the products annually created and imported. As, by the aid of machinery, almost all descriptions of products may be raised, or created, for less than half the labour that was employed in raising and creating them before the war, it follows that every class of the community *might have*, and *ought to have*, double the supply of all the necessaries of life, in exchange for their labour and talents, and from the hire of their property, at the present time, than before the war.

But so desirable an object cannot be obtained, unless a *portion* of the unemployed labourers be em-

ployed in creating products, and they cannot be so employed unless *the aggregate of income* be so increased as to enable the community to purchase such products at prices that will remunerate the farmer and manufacturer for employing the working classes in creating them. It therefore becomes necessary to trade the source of the expenditure from whence *all incomes* emanate, and to ascertain the means by which its aggregate amount may be so increased as to enable every class of society to participate in the benefits and advantages that *ought to accrue to all* from the increase of facility with which, by the aid of machinery, an increase in the supply of all the necessaries of life may be obtained with a diminished portion of labour.

SOURCE FROM WHENCE MONEY INCOMES EMANATE.

ALL money was originally coined by kings and rulers of states, and issued in payment of wages to their servants, and *exacted back* from the other classes of their subjects, in lieu of that portion of their personal services to which their rulers had a claim, and from the landed proprietors, as a substitute for that portion of men, arms, and personal services, which the first proprietors contracted to provide for the service and defence

of their country, when grants of land were made to them. All money incomes, therefore, were originally derived from the expenditure of kings and rulers of states; but the gold and silver, and other metals, of which coin was originally composed, were extracted from mines by the labour of their people, and exacted from them in tribute and in loans. Hence, while all money was composed of the precious metals, the ability of states to coin it and increase their expenditure was limited by, and dependant on, their means of obtaining these metals: from this cause the wealth and resources of nations, previously to the invention of paper money, was estimated by the amount of gold and silver they possessed, and nations that were drained of these metals, by war, or by other causes, became impoverished.

In all nations that have no other than a metallic coin, and, in which paper money is convertible into gold on demand, the ability of their people to make an expenditure, and to find good markets for their labour and products, is, and must be, limited by, and dependent on, the amount of the precious metals that are circulated amongst them; consequently, where no other currency exists, an increasing population must be an evil instead of a benefit, and be productive of misery and distress, unless the increase in the supply of these metals keeps pace with the increase in the population, and also, unless *the aggregate of ex-*

penditure from whence all incomes are derived, be increased in the same ratio.

In former days, kings and individuals hoarded their gold and silver, and during periods of peace but little money was circulated; products were therefore cheap, and people bartered their labour for food and clothing, and one commodity was exchanged for another without the use of money, and rents and taxes were paid part in produce and part in money, as is the practice in many countries even in the present day.

In times of war kings increased their expenditure—they expended the money they had hoarded, and converted their gold and silver, together with what they could exact from their subjects, in taxes, and in loans, into coin, which they recirculated among their people, in exchange for their services and products. Wars, therefore, have occasioned a large increase in the amount of money coined and expended in the purchase of products; and those people who, by their superior talents or industry, were enabled to acquire a larger portion of it than they required to pay in taxes, in rents, and in exchange for the necessaries of life, either hoarded it, or advanced the surplus to the state, or to individuals, in loans, at interest. By such a process, debts were contracted and money capitals created, and a spirit of industry was excited among the trading community, to create products, of one kind or

other, that people would receive in exchange for money. Therefore, as during war there is a greater demand for the services and products of the people than during peace, the debts, money capitals, and money incomes of the people of nations that have been most frequently engaged in war, are considerably greater than the incomes of the people of nations that have been long in a state of peace; and hence also we find, that nations that have furnished the belligerents with the greatest quantity of products that war creates a demand for, whether they have been themselves engaged in war or not, have become the most civilized, the most wealthy, and the most prosperous. For instance,—the people of England are richer and more civilized than any other people; next to England comes France; then Holland.

The opinions advanced by political economists, and entertained by the public generally, that because wars cause a great consumption of commodities, they are, on *that account*, productive of evil, are not only in opposition to the results of time and experience, but they are contrary to sound reasoning.

Wars (by causing a large increase in the amount of money coined, and expended in the purchase of the labour of the working classes, and thereby creating an ability in the great bulk of the people to purchase an increase of all the necessaries of life) augmented the demand for

those necessaries, which, by exciting a spirit of industry in the people to produce them, gave birth to the invention of machinery, by means of which a greater supply of products of every kind may be created with a diminished portion of time and labour.

It is the demand for, and the consumption of, commodities, that renews the demand for the services of the labouring population to create more; and it is the expenditure of the money they receive in wages, that creates an ability in them to purchase *part of the products their labour creates*, while part goes to their employers as profits, part to their landlords in rent, and part to the state in taxes.

During periods of peace less money is expended —consequently, less is acquired by the labouring population; they, therefore, are obliged to reduce their purchases—the demand is in consequence diminished, and prices and profits become less and less, which, by reducing the demand for labour and products yet more and more, increases yet more and more the distresses of the working classes, who, instead of being, what they ought to be, and might be made to be, a source of wealth, become a burden on the community. This is the case, and always has been the case, in all nations.

Were there no taxes, rents, or debts, there would be no such thing as money, and fewer

products would be distributed among the community, inasmuch as people would not create a greater supply of products than their wants required—could no equivalents be obtained for them; and such equivalents could not be obtained were there no debts nor money.

All incomes derived from taxes, rents, profits, tolls, interest, and wages, are paid out of the proceeds of products raised, created, and sold; consequently, the proceeds of the new property annually created and sold, is the aggregate of income derived from such sources.

The incomes of landlords and farmers are derived from profits on the produce of their land; their amount is, therefore, dependent on the expenditure of the community at large. It is the same with the trading classes: their incomes are derived from the same source—from the expenditure of all. But the incomes of professional men, and the wages of the working classes, are derived from the expenditure of those who employ them.

The revenue of the state is chiefly derived from taxes on commodities used, or sold, and its amount is in proportion to the quantity of such articles purchased, used and consumed, which is in proportion to the aggregate of expenditure.

The value of land in all countries is dependent on the ability of the proprietors or occupiers to find labourers to cultivate it, and on the facilities

it affords for exporting its produce to good markets.

The value of estates in the West Indies is estimated by the number and quality of the slaves they contain, and by the facilities they afford for exporting their produce; and the incomes derived from them are the profits accruing from the sale of products, raised, and rendered fit for use, by *the labour of slaves.*

If a landlord cultivate his land himself, the sum its products may exchange for will be the produce of his *own labour;* but if it be cultivated by the labour of others, his income will be derived from the profits on the products raised by *their* labour. It is, therefore, from profits *on labour* that rents are derived.

If a tradesman manufacture by his *own* labour the goods he sells, his income will be derived from the sale of property produced by the application of his own industry; but if he employ workmen, the income accruing from the profits on the articles *they* create, over and above what he may pay them in wages, and his outgoing expenses, &c., is profit derived from *their* labour.

So much of the incomes of professional men as is derived from profits on works done by clerks and assistants, over and above what they are paid for their services, is profit on *their* labour.

The wages of clerks, assistants, and labourers,

are all paid out of the profits on the work or services *they* perform.

When labourers are unemployed and land uncultivated, the two capitals *from whence all wealth is derived* are not so productive as they ought to be, nor as they may be made to be. When such a state of things exists, and when there is an abundance of the necessaries of life, which the producers are unable to dispose of at a profit, it is a proof that trade does not flourish as it may be made to do. It is also a proof that the demand for, and the consumption of, products are not sufficient, and that prices are not sufficiently high to remunerate the trading classes for employing the unemployed labourers in augmenting the supply.

It has been shewn that all money was originally coined by kings, from whom expenditure and money incomes emanated ;—that landlords, farmers, manufacturers, and tradesmen derive their several incomes from profits on the several products created by the labour of the working classes—and that wages, taxes, and all outgoing expenses are paid out of incomes so derived. Hence it follows, that in proportion as the state reduces its expenditure, in such proportion must the incomes of all classes be diminished, and *vice versâ.* But as this is a theory that is directly opposed to all the authors and speakers that have heretofore written or spoken on the subject, it becomes necessary to endeavour to prove it by details, facts, and argu-

ments, that will, it is presumed, stamp conviction on the minds of the most incredulous.

Subsequent to the suspension of cash payments, in 1797, until the year 1819, the money of England consisted of Bank of England notes, and the state was the *source* from whence they emanated, save and accept an occasional supply to the public, in exchange for bills of a short date, at an interest of five per cent.*

The numerous contracts entered into by the government for ships, barracks, houses, public works, provisions, clothing, materials for war, and, in short, for all descriptions of property that war creates a demand for; and the salaries of the army and navy, and of the civil servants of the crown, were all paid with a borrowed paper credit, that *would not have been expended or issued, nor have become money*, had it not been borrowed and expended by the state; and it was *this credit*, so obtained and expended, that, in its various stages of circulation, gave good wages to the labouring classes—good profits to the farmer, the manufacturer, the merchant, and the tradesman—good rents to landlords,—and that was *returned to the state in taxes and in loans*, from whence it was *re-expended in the purchase of more labour and products.*

The large war demand for labour and for all descriptions of products, caused a corresponding

* This will be explained under other heads.

increase of demand for, and expenditure of, country bank notes, in wages to the working classes—which being re-expended in the purchase of food and clothing, forced up prices and rents, and gave an increase of profits and of income to all classes,—which enabled landlords and farmers to bring under tillage, and raise corn and cattle from, lands that were before uncultivated, and which *cannot be cultivated at a profit when prices are low,*—while the increase in the demand for clothing, and other articles created by the war, led to the invention of machinery, which enabled our manufacturers and tradesmen to manufacture goods with a diminished portion of labour.

More products, therefore, of every kind, were raised, created, obtained, and distributed, among every class of society; and the labouring classes were enabled to exchange their labour for a greater supply of all the necessaries of life than the working classes of any other country have ever possessed the means of obtaining.

Here we see that the demand for the services of the labouring classes, and for the products of the farmer, the manufacturer, and the tradesmen, was created by an expenditure of a *paper credit*, that *would not have been issued, or become money, had it not been borrowed and expended by the state,* or by contractors and merchants, to pay, in wages, for the labour employed *in supplying the demands of the state;* that such demand for labour and products caused wages to advance, which enabled the

working classes to purchase a greater supply of food and clothing than they could before obtain;—that such purchases increased the aggregate of profits, and forced up prices and rents, and thereby augmented the incomes of all. We also see, that landlords and farmers, and the whole trading community, derived their ability to pay additional taxes, and to accumulate wealth, and, at the same time, to increase their establishments and consumption of all the necessaries and luxuries of life, from the profits arising from the sale of products, created by *the additional number of labourers*, whose labour the demand and expenditure of the state enabled *the trading classes* to purchase. The state is therefore the *source* from whence the expenditure emanated that has made the land and labour capitals of England far more productive than such capitals have ever been *in any other nation;* and hence it is we find, that in proportion as the state has at any time increased its expenditure, the resources of the nation, the money value of property, the incomes of the people, the ability of bankers to make advances to the state, and the comforts of the labouring classes, have been augmented; and hence also it is, that we have invariably found, that whenever the state has reduced its expenditure, the money value of property has been depreciated, and the distresses of the working classes have become greater and greater in proportion as population has increased:

and it cannot be otherwise, as will be clearly proved in the following pages.

ON MONEY VALUE, REAL VALUE, AND EXCHANGEABLE VALUE.

There are three kinds of value:—real value, money value, and exchangeable value. Water has a value in itself; it therefore has a real value; but where it can be obtained in abundance and without labour, it has no money value, nor exchangeable value. Land, labour, and all descriptions of consumable articles, have generally a real value, a money value, and an exchangeable value; but the currency has only a money value and an exchangeable value.

The real value of food and clothing to the consumer is in proportion to his wants; their money value is the sum they are purchased at; and their exchangeable value is the quantity of other articles, and of labour, that are bartered for the money with which they are purchased.

If an acre of land, that usually yielded three quarters of wheat, be so improved as to enable the occupier to raise four quarters, its real value will be increased; but if the four quarters exchange for less money than was obtained for the three quarters, its money value is depreciated. If, however, a fall in prices enables the occupier to

purchase with the proceeds of the four quarters, more labour and products than the proceeds of the three quarters exchanged for, its exchangeable value is augmented, although its money value is depreciated.

If a man create by his own labour the commodities he consumes, their value is in proportion to the quantity and quality of labour bestowed on their production; their money value is the sum they will sell for; and their exchangeable value is the quantity of other necessaries such sum will purchase.

If an acre of land, that usually produces only three quarters of wheat, should yield six quarters, and they sell for only half as much more money as was obtained for the three quarters, and the price of labour and of other articles remain the same, the exchangeable value of the produce and the profits of the farmer will be augmented 50 per cent, although the price of wheat will fall 25 per cent. On the other hand, when an acre of land that usually grows four quarters of corn, yields only two quarters, and the two quarters sell for as much as was obtained for the four quarters, and the rate of wages and the prices of other articles remain the same, the exchangeable value of the produce will be the same, although the *price*, or money value, of the corn will be doubled.

If a man's wages be reduced from three shillings to two shillings a day, and the necessaries of life

so fall as to enable him to purchase with his reduced wages a greater supply, the value of his labour is enhanced, although its money value is depreciated.

If a man, by exchanging his services for money wages, obtains a greater supply of the necessaries of life than he can create by his own labour, he is benefited, even although the taxes on the articles he purchases may cause a portion of his wages to be returned to the state in revenue.

When land yields an increase of produce, but less rent, its real value is augmented, and its money value depreciated; but if the reduced rent will purchase more labour and a greater supply of the necessaries of life, its exchangeable value is increased. It is the same with respect to money.

If a hundred pounds, that heretofore yielded an interest of five per cent., only returns four per cent., the money value of the currency is depreciated; but if the four pounds will purchase more labour, and a greater supply of the necessaries of life, than the five pounds, its exchangeable value is augmented. Hence, when the interest of money falls, the currency is depreciated in money value; but if the reduced interest will exchange for more commodities, it is a proof that the exchangeable value of the latter is depreciated *in a greater proportion* than the money value of the currency. A depreciation in the money value of products must

be produced either by an increase of supply, or by a reduction of demand;—and a reduction of demand *must be occasioned by a reduction of expenditure;*—and as a reduction of expenditure lessens the demand for money, it, in consequence, accumulates as deposits in banks, which causes the rate of interest to fall. Hence a depreciation in the money value of the currency, and a depression of prices, are produced by the same causes,—by a reduction of expenditure. But as money *expended* purchases, in its several stages of circulation, products equal to many times its amount, the depreciation in their money value, when occasioned by a diminution of expenditure, is considerably greater than the depreciation in the *money* value of the currency;—consequently, the exchangeable value of the circulating medium is, and must be, increased, and the exchangeable value of products depressed.

Where gold and silver are in abundance, and there is but little demand for them, their money value and exchangeable value is considerably less than in nations where they are scarce.

Cattle, and fruit, and all kinds of agricultural produce, have comparatively but little exchangeable value, and scarcely any money value, in places where they are in great abundance and small demand for them; yet their real value is the same everywhere.

ON THE FLUCTUATION OF THE EXCHANGEABLE VALUE OF MONEY SINCE THE PEACE.

This is a subject on which, perhaps, a greater diversity of opinion exists than on any other branch of political economy. It is a subject on which innumerable speeches have been delivered, and almost as many pamphlets published; yet scarcely any two speakers or writers have advanced the same theories, or concurred in the same opinion, excepting that they all agree in one point—that the act of the legislature which required banks to pay their notes in gold, if it be demanded of them, caused a considerable increase in the money value of the currency, and a corresponding depression of prices; and in support of this extraordinary and fallacious doctrine, a writer in the Quarterly Review for May last makes the following remarks:—

"The effects of a depreciated currency, although unavoidable and certain, yet appear in such a form as to elude the observation of the mass of mankind. They are seen in a general rise in the market price of all commodities, and upon a given average of years, this rise will always be found to correspond with the amount of depreciation which the currency of any country may have sustained. This is the circumstance which renders the bulk of mankind so slow in comprehending and detecting a depreciation in the standard of value: they are accustomed to

see prices rise and fall, whenever a variation happens to take place, either in the supply or demand for commodities, or in the expense of producing them. To this cause, which daily experience renders familiar to them, they ascribe a rise in prices, which really springs from another source, of which they have no perception. If, for instance, the quantity of gold now contained in the English pound sterling were to be reduced from one hundred and twenty to ninety-six grains, or if the weight of the sovereign remained the same, and thirty grains of alloy were substituted for an equal quantity of standard gold, the immediate and visible effects in practice would be a rise of twenty-five per cent in the market price of all commodities; supposing mutton, when such a change took place, to sell for six-pence per pound, it would rise to eight pence, sugar from nine pence to twelve pence, and wheat from sixty shillings per quarter to eighty. But the ordinary observer seldom suspects that this rise in prices is occasioned by a diminution of the standard; he conceives that mutton, sugar, and wheat, have become dearer, either because these commodities have become scarcer, or the demand of the consumers has been increased."

"The depreciation of the currency effected by the suspension of cash payments, did not commence immediately; and its progress was gradual. At length, however, the paper pound note

ceased, *de facto*, to be worth more than fourteen or fifteen twentieths of the metallic pound sterling; and if we had not returned to a metallic standard, there can be little doubt but that the depreciation of the paper pound note would have proceeded still further."*

Now, however clever the writer of this article may be in other matters, he certainly does not understand the nature of the currency. The opinion which he states that "the bulk of mankind and the ordinary observer entertain as to the *cause* of the rise and fall in prices during the suspension of cash payments," is most certainly a correct one. The bulk of the people, and ordinary observers, know that while cash payments were suspended they might obtain, in many parts of England, a greater supply of mutton, butter, wheat, bread, and other necessaries of home production, in exchange for a country pound note, than for a guinea in London, even when that coin was selling to Jews for eight-and-twenty shillings each. They also know that they do not, nor ever did, regulate the prices of their respective articles by the number of grains of pure gold into which the pound sterling was convertible. They know from experience, that prices are regulated by the *demand* and *supply*, and by nothing else;

* This quotation is made with a view of shewing the erroneous opinions that are entertained and advanced on the subject of the currency, even by those who are employed to instruct and enlighten the public mind.

that when the demand for their articles is great, and the supply small, they advance their prices, and that when the supply exceeds the demand, they lower their prices to tempt the buyers to purchase.

Dr. Adam Smith, Mr. Ricardo, Mr. Mills, and, indeed, all political economists, admit the incontrovertible fact, that "labour is the first purchase money, and that all things are rendered more or less valuable in proportion to the quantity and quality of labour bestowed on their production." Yet although they admit this fact, all their reasonings and arguments are founded upon the erroneous theory, that because banks are required to pay, on demand, a specified number of grains of gold, in exchange for their notes, gold must therefore be the standard of value. Now value cannot have two standards. If it be true, as it undoubtedly is, that "labour is the first purchase money, and that all things are more or less valuable in proportion to the quantity and quality of labour bestowed on their production," it necessarily follows that gold, which is in greater demand, and therefore obtained by much greater expense of labour at one time than at another, cannot be the standard of value.

Where slavery exists, the wealth of an individual is estimated by the number, the skill, the ingenuity, and the industry of his slaves, who are employed in raising, creating, and obtaining ne-

cessaries and luxuries to supply his wants. The greater the number of slaves, therefore, a man has, so much the greater is his wealth, and his ability to obtain all the comforts and necessaries of life. It is precisely the same with respect to a nation; —the natural money of nations is labour; all things are raised, created, obtained, and rendered fit for use by labour—gold is extracted from the bowels of the earth, and converted into coin, by labourers, and it is subsequently exchanged for the labour of others, and for the commodities created by labour. The difference between slaves and free labourers consists in the latter being able to work for whom they please, and in being paid for their labour *in money wages;* whereas the slave must work for his owner, and is paid for his labour in food and clothing. The produce of the labour of slaves and of free labourers, is distributed in precisely the same way; part goes to their masters as profit, part to the state in revenue, and the remainder to themselves. Where slavery exists there is scarcely any circulating property, and the produce of labour is cheap, save and except where it is exported to other countries.

In all parts of the world where the labouring classes have low wages, or are unemployed, trade is slack, and the prices of their natural productions *low*, and the great bulk of the people are little better than slaves; but wherever the labouring classes are numerous and have *good wages*,

trade is brisk, and all classes are prosperous. Throughout the world, no instance can be found to the contrary.*

Whatever money is expended in wages, is re-expended for food, clothing, and other necessaries, which, by increasing demand, forces up prices: and whether such wages be paid in gold, silver, or paper, the results are precisely the same; so that the amount expended be limited by the demand and supply, and both be increased in proportion as population increases.

In the several states of South America, where the currency consists almost exclusively of gold and silver, their exchangeable value, and the prices of the necessaries of life, *vary more than in any other nation.* At Vera Cruz, La Guayra, and in other places, an ounce of pure gold will not purchase the service of as many labourers, or so large a portion of food and clothing and other necessaries, as a country pound note purchased in many parts of England, at the time when, according to the reviewer's account, it was not worth fourteen or fifteen shillings. At those places, beef and mutton, that would not be saleable, as food for man, in any market in England, sell for a quarter of an ounce of pure silver per pound; and fowls that would scarcely bring a shilling a couple in Plymouth market, at an

* These remarks do not apply to our West India Colonies, the produce of which is exported to England.

ounce of silver each; and other necessaries are as high, and many of them higher, in proportion. In Jamaica, in Trinidad, and in many other places, where the currency consists almost exclusively of gold and silver, prices are nearly as high; while in other places the produce of the land has scarcely any money value or exchangeable value.

At Vera Cruz, a common porter will earn from three to seven ounces of silver per day; while at La Guayra, where the currency and prices are nearly the same, the wages of the labourer is only a quarter of a dollar per day, and many labourers cannot find work at any wages. At Vera Cruz labourers are scarce, and the demand for their services great,—hence they ask, and the merchants are obliged to give, high wages. At La Guayra, they are numerous, and in want of employment, and are, therefore, obliged to take what the merchants are disposed to give. Prices, however, are nearly the same in both places, by reason that the aggregate amount of expenditure is in about the same proportion to the supply of products at one place as in the other. In other parts of South America, where gold and silver are in abundance, they are the property of a *few*, by whom they are hoarded, or exported in exchange for foreign articles. There is, therefore, at these places, scarcely any circulating property: and as the labouring classes have scarcely any

money wages, and the produce of the land is abundant, it has scarcely any money value, or exchangeable value, inasmuch as a bullock may be had for returning its hide to the owner in payment.

The produce of the land in Ireland during the war, did not exchange for half the money in that country, that was obtained for articles of a similar description and quality in England. Fowls might be purchased at Cork for a shilling each, equal to what could be obtained in Portsmouth market at five shillings a couple; while a couple of fowls, equally good, might at the same time be purchased in the Plymouth market for three shillings —and there was nearly the same difference in the price of other articles of food; yet the pound notes that circulated at these places were not convertible into any more grains of pure gold than the pound note that was expended in London.

The value of gold, like the value of all other commodities, fluctuates—its value may be depreciated, either by an increase of supply beyond the increase of demand, or by a diminished demand; and an increase of supply may be occasioned by a variety of causes, which will be presently explained; and its value may be enhanced, either by an increase of demand beyond the increase of supply, or by a diminished supply, both of which may also be occasioned by various operations.

War creates a large demand for gold, to con-

vert into coin, to pay in wages to the numerous labourers it finds employment for: and during war many people hoard gold, and a considerable greater portion of labour is expended in obtaining it from other nations. Gold, therefore, during war, is in great demand, and advances in value in proportion as the increase of demand exceeds the increase of supply; and the supply is regulated by the cost of manufacturing and exporting the goods for which it is obtained in exchange. War, however, does not cause any considerable increase or decrease in the value of the precious metals, in nations that do not consume any considerable quantity of the productions of other nations, and in which the currency consists entirely of a metallic coin, and the supply of products is nearly stationary. In such nations, taxation merely takes money from one class of the community, and gives it to another: and neither the aggregate of expenditure, nor the aggregate amount of the circulating property, can be increased by such a process.

During the war, the precious metals were imported into England from Spain, Portugal, and from the several states of South America, from whence they were *smuggled* in exchange for British goods, which, at a considerable expense of labour, were smuggled into those nations;—they were therefore purchased with more than double the quantity of labour than has been bartered in

exchange for them since British goods have been openly admitted into those nations, and gold and silver freely imported from them. If, therefore, it be true, as every writer on political economy admits it to be, and in fact knows it to be, that labour is the *first purchase money*, and that the value of a thing is in proportion to the quantity of labour bestowed on its production, it necessarily follows, that as, on the return of peace, gold was obtained from other nations for less than half the labour expended in the purchase of it during the war, the fall in its price was occasioned by such cause, and not by Mr. Peel's Act, which merely required bankers to issue it in exchange for their notes, at the rate of £3 17s. 10½d. the ounce; and it also follows, that the rise in its price, subsequent to the suspension of cash payments, was occasioned by the increase in the expense of labour bartered in exchange for it, and not by the large expenditure of paper money, the money value of which could only be depreciated in proportion as the rate of interest fell.

While the Bank of England is obliged to sell gold for notes at a fixed price, its price in England cannot vary much; but this does not make it the *standard of value*. No act of the legislature can make it such, any more than it could make a pound note and a shilling worth a guinea, while the latter was eagerly purchased by Jews for twenty-eight shillings each. The legislature may

decree, that all paper money shall be convertible into gold, and that all rents, taxes, and debts, shall be paid in that coin; but such decree can no more make gold the standard of value, than an act of the legislature could convert iron into lead: neither can such decree create an ability in the community to pay their debts, taxes, and rents in gold, nor in bankers to convert their paper money into that metal, any more than those measures which deprive the working classes of employment, can create in them an ability to pay high prices for the produce of the land.

That the exchangeable value of money has increased since the peace, and the exchangeable value of products been depreciated in the same ratio, every one knows; and it is self-evident, that this must be occasioned either by a diminution of expenditure of money, or by an increase in the supply of products. That it has not been occasioned by the latter cause, is beyond dispute.

Money is credit paid for labour, and received by the state in lieu of labour, and by the community in exchange for products created by labour; hence, let it be composed of what it may, its exchangeable value must vary and fluctuate, in proportion as the exchangeable value of labour fluctuates.

If a pound sterling purchases more labour now than before, it necessarily follows that it must purchase a greater quantity of products that are

created by labour, and more especially if they be created with a diminished portion of labour. It is impossible it should be otherwise, unless the number of unproductive labourers be increased in a greater proportion than the productive labourers.

Prices are entirely governed by the demand and supply, and the demand is governed by the expenditure of money and credit in the purchase of labour and products. When there is a scarcity, prices rise; but whether there is a scarcity or an abundance, wherever labourers *are numerous*, and have *good wages*, prices are, and always must be, high in proportion; and where labourers are few, and wages low, prices are also low. This is the case in every part of the world, and it cannot be otherwise. A knowledge of this fact has led Messrs. Western, Sadler, Grey, and other writers on the corn laws, into the error of concluding that it was high prices that forced up wages. They thus mistook the cause for the effect, inasmuch as it is high wages that creates the demand which forces up prices. It is the demand for, and the high wages paid to, *unproductive* labourers, that forces up the wages of the productive labourers; and it is the expenditure of the whole that occasions the demand for the products the latter create. The *first* money purchasers are the *unproductive* labourers; it is the expenditure of this class of the community that gives money

incomes to the producers and venders of commodities.

Whenever the demand for labourers is greater than the supply, wages rise; and whenever the candidates for employment exceed the demand for their services, wages fall; but such fall does not occasion any fall in prices, provided the quantity of products, and the aggregate of the sum expended in wages, are increased or decreased in about the same ratio.

The wealthy classes of society in all nations consume nearly the same quantity of food, whether it is cheap or dear; but this is not the case with the working classes, who constitute more than nineteen-twentieths of the population of every nation. It is these classes, therefore, who are the chief consumers of the produce of the land: and their ability to purchase is wholly and entirely dependant on the wages they obtain; hence, when the quantity of products is about the same, prices are, and must be, regulated by the aggregate of the sums paid in wages.

From the suspension of cash payments until the return of peace, all classes of labourers obtained wages that enabled them to purchase a larger supply of the necessaries of life than at any former or subsequent period; hence, the natural money of the people, the "first purchase money," *labour*, was of greater value at that period than before or since.

As the natural money of nations is labour, it follows that the money value of labour, and of products produced by labour, must be governed by the amount of money expended in the purchase of both, and that the resources and the wealth of the nation are in proportion to the number of its labourers, and to the quantity of products they can create.

If a farmer, by the labour of ten men, can raise corn and cattle that will exchange for money that will purchase the services of fifty labourers, he may divide four fifths of his receipts between the state, his landlord, and himself, while the other fifth goes to the labourers he employs.

The money incomes of the community, save and except what are derived from the expenditure of credit, are derived, directly or indirectly, from the proceeds of products, the aggregate of which cannot exceed the aggregate of expenditure; but an increase in the expenditure of *credit* must cause a corresponding increase in the aggregate of income.

If, by the use of machinery, double the supply of products be created with the same portion of labour, and no more money be expended, they must fall fifty per cent. in price, and all classes of the community might double their consumption, *provided their respective incomes be the same.*

Suppose the proceeds of products in the present year be four hundred millions,—this will be the

aggregate of income, and will be divided among the community in rents, taxes, profits, interest, and wages. Now, if the whole be expended in the following year, and no more, the products raised and created will exchange for no more, even although the supply may be double. But were the state to increase its expenditure ten millions, the demand would increase, and prices rise, that might lead to a corresponding increase of expenditure of *credit*, on the part of the trading community, to nine times ten millions, in which case products would exchange for five hundred millions, which would be the aggregate of income.

As all descriptions of products and of labour are exchanged for money or credit, their price must be governed by the aggregate of expenditure. Hence we find that the reduction in the government expenditure on the return of peace, caused such a diminution of expenditure on the part of the trading community, as to occasion a fall of forty per cent. in the price of corn and other articles: and this too, at a time when we are told the pound note was worth only fourteen shillings, and nearly three years before Mr. Peel's act. This fact, of itself, proves to demonstration, that the increase in the exchangeable value of money was not occasioned by that act, nor by the number of grains of pure gold into which a pound note was convertible.

Had the different classes of the community, on

the return of peace, increased their expenditure in proportion as the government expenditure was reduced, the price of labour, and the exchangeable value of products, would have remained the same, and all classes might have been prosperous.

When the exchangeable value of the circulating medium is enhanced, all capitals are depreciated in money value. For instance—capitals consist of land, labour, money, and products; and the interest derived from such capitals consists of rents, wages, and profits, the amount of which must be in proportion to the amount of money obtained in exchange for their produce.

When a metallic coin will exchange for more labour and commodities than a paper money of the same nominal value, and the rate of interest, the price of labour, and products, remain about the same, the increase in the value of the metallic coin is occasioned by an increase in the value of the metal of which it is composed, and not by a change in the value of the currency, which *cannot be depreciated while it will purchase as much labour as it was issued in exchange for.*

From the suspension of cash payments in 1797, until the return of peace, the money which political economists contend was depreciated 25 per cent. was far more valuable to those who possessed it than the money of the present day; inasmuch as a thousand one pound notes, which, we are told, were only worth fourteen shillings

each, when embarked in trade, returned a profit of from fifteen to fifty per cent., and yielded a return of five or six per cent. when lent at interest: whereas a thousand sovereigns embarked in trade in the present day, will not yield a profit of ten per cent., and not four per cent. can be obtained on them at interest.

These facts prove to demonstration that the money value of the currency, instead of having increased, has been depreciated, although, by reason of the greater depreciation in the exchangeable value of labour and products, the exchangeable value of coin has been augmented.

Coin or money is the produce of capital embarked in trade, and lent at interest, in like manner as rent is the produce of landed capital; and as the money value and rent of land is not always regulated by the exchangeable value of a single quarter of wheat, so is not the value of money capital regulated by the exchangeable value of a pound note. Coin is the rent paid for the use of money or credit, the money value of which is regulated *by the rate of interest*, and its real value by the quantity of the necessaries of life the interest obtained on it will purchase, in like manner as the value of land is in proportion to the supply of products its rent will exchange for:—the rent of houses and lands, and the interest of money, being all paid with the same species of coin.

When a professional man, by lowering his charges, can obtain such an additional demand for his services as to enable him to augment his income, his capital is enhanced in value, although the price of his labour is lowered.

If a hatter, by the use of machinery, can make three hats with the labour it before required to make one, he may sell them at a lower price, and, at the same time, double his income. In this case the public would be benefited, by having hats at a cheaper rate, and the manufacturer would be also benefited.

Water is of greater value than wine or gold; and where it is scarce, and a sufficiency cannot be obtained, its exchangeable and money value is greater than the value of the best wine; but where it is in abundance, it has scarcely any money or exchangeable value. It is precisely the same with respect to the exchangeable value of every article of use.

Here we see that the exchangeable value of products is regulated by the demand and supply; and that an article may exchange for more or less of other articles at one time than at another, let the medium with which such exchanges are made be composed of what it may. We also see, that the exchangeable value of such medium may be enhanced by an augmented supply of products, occasioned by an increase of facility in creating them, and that it may be depreciated by a scarcity.

Suppose two families A. and B., are separated from the rest of the world—that A. cultivates the land, and B. manufactures clothes and other articles, which he exchanges for the surplus of A.'s corn and cattle. Now if B., by the aid of machinery, should double his supply of articles, and the surplus produce of A. remain about the same, B., in such case, might double the consumption of his own articles, and give double the quantity to A. for his surplus corn and cattle; in which case, the exchangeable value of the latter would be augmented a hundred per cent., and the articles created by B. be depreciated fifty per cent. And if such exchanges be made with money it would be precisely the same, but their money value would be governed by the quantity of money used, and the number of exchanges it might make. If, for instance, they have a hundred pounds in gold and silver coin between them, and each acquires it from the other ten times in the year, their products would each sell for a thousand a year; but if they acquired it only once in the year, their property, be it more or less, would only exchange for a hundred pounds.

It is precisely the same with respect to the circulating property of the nation:—prices are regulated by the rapidity with which money circulates from one to the other in exchange for their labour and products, and not by its aggregate amount. For money, in fact, is nothing but

credit– it is the representative of savings that have, from time to time, been realized by the different classes of society. When money is hoarded by individuals, or when it accumulates as deposits in banks, and ceases to circulate, ex penditure is reduced,—prices and profits in consequence fall, incomes are diminished, and distresses ensue—and it cannot be otherwise.

Suppose the aggregate of the proceeds of products in the present year to be three hundred millions, and that the state and the community reduce their expenditure one fourth ; in such case, the aggregate of income, and the rate of interest, wages, and profits, would be reduced in the same ratio. On the other hand, were all classes to increase their expenditure one fourth, and such expenditure be made without any increase of *medium*, and there be no increase of supply of products, interest, wages, profits and the aggregate of income, would be increased one fourth. But as such an increase of expenditure would necessarily occasion an increase of issue of medium, and an increase of supply of products, the rate of interest and prices could not advance in the same ratio as incomes would increase.

Suppose nine families reside in an island by themselves, and each creates articles of one kind or other that all require—that they have between them a hundred pounds in gold and silver coin, and that they use it as a circulating medium : If each

acquire this money in exchange for their articles or their labour, within the year, the receipts of each will be a hundred a year, and the aggregate of their income will be nine hundred pounds; now, if they double their supply of products, and lower their prices in the same ratio, their incomes will be the same; but if money be made to circulate with double the rapidity, their prices will be stationary, and their money incomes doubled; but if they diminish the demand for each other's labour and products, prices will fall, and their money incomes be reduced, although the amount of their circulating property will be the same. But this theory will be more clearly illustrated in the following pages.

PRICES, PROFITS, AND WAGES.

Expenditure creates demand:—demand forces up prices:—high prices, when so forced up, give additional profits to the venders and producers of products, which induces merchants and speculators to increase the supply;—this causes a rise in the markets from whence they are obtained, and occasions an increase of expenditure in wages to the labourers employed in raising, preparing, and bringing them to market. An increase of expenditure therefore benefits all classes except-

ing annuitants. For instance: suppose a quarter of wheat sells for a hundred shillings, the proceeds will be divided between the farmer, the landlord, the state, the clergy, the poor, and the labourers; but if it sell for only fifty shillings, and there be no increase in the quantity raised, and the state, the landlord, and the poor are paid as much as when it sold for a hundred shillings, there must be so much less for the farmer and the labourer,—consequently, the ability of the farmer to purchase the goods of the tradesmen, and the services of labourers, is so much reduced. A fall in prices is, therefore, ruinous to all classes, unless it be produced by an increase of supply; and a rise in prices, if it be produced by a scarcity, is equally calamitous.

In populous towns, and where the labouring classes are in full employ, and have good wages, prices are, and always must be, higher than at other places, by reason that supplies must be obtained from a distance, and at a great expense. Prices, therefore, at such places, are governed by the cost for the labour employed in raising products from inferior soils, and in bringing them from distant markets; for although prices are regulated by the demand and supply, the supply is regulated by prices. When the price of labour falls, demand is reduced, and prices fall; it is the money value of labour, therefore, that regulates prices.

Wherever there are few labourers, and but *little* demand for their services, wages are low, and the produce of the land is invariably cheap.

Prices at one place regulate prices at others. When products can be purchased in the country and sent to London at a profit, they are bought up by merchants and factors, and sent to the London market, which causes a rise in the markets from whence they are obtained. Hence, a rise in the London markets is invariably followed by a corresponding rise in the markets in the country.

Were the trade in corn perfectly free, its price, in all agricultural nations, would be generally governed by the London prices. If, for instance, wheat be sixty shillings the quarter in London, and the cost of exporting it from Poland be twenty shillings, including all charges, its price in Poland would advance to forty shillings, *unless England had a non-convertible paper money*, and *the exchanges be against her*,—in which case, the difference between the price of wheat in Poland and England would be *equal to the cost of importing it, added to the difference in the rate of exchange*. If, for instance, the exchanges be thirty per cent. against England, and the cost of importing it from Poland be twenty shillings the quarter, *it must sell fifty per cent. higher in the English market than in Poland, to enable the importer to obtain a remunerating profit.*

A rise in the price of corn, when occasioned by an increase of demand, operates in precisely the same way in other nations as in England. Such rise gives an increase of income to landlords, farmers, merchants, and labourers, who are thereby enabled to increase their purchases of their own and of foreign products. Consequently, when prices advance in agricultural nations, they have a less quantity of surplus. High duties, therefore, in England, by keeping down prices in such nations, enable them to supply England with a larger portion of their produce than they could otherwise spare; such duties so operate as to deprive the people of other nations of the means of purchasing so large a portion of their *own* produce, and of the goods of England, as they would do, could they obtain from England a higher price for their corn, which they necessarily would have, were the trade in corn perfectly free. Hence, high duties keep down prices in other nations, and also in England, and thereby deprive their labouring population of the means of disposing of their labour, and their tradesmen of markets for their goods.

More than nineteen twentieths of the population derive their incomes from wages; more than four-fifths of which are expended in the purchase of food. Were, therefore, the *average* income of each individual to amount to only one shilling per day, the aggregate of expenditure in the

purchase of food alone would exceed three hundred millions; and were the rate of wages the same now as during the war, and the labouring population in full employ, prices, profits, and incomes, generally, would be twenty-five per cent., higher than at any former period, and all classes, excepting annuitants, would be benefited; and a greater quantity of the necessaries and luxuries of life might be raised, created, imported, distributed, and consumed, and the revenue might be doubled without any additional taxes. But let us appeal to facts.

From 1770 to 1793 the average price of wheat *in England* was about thirty-eight shillings the quarter; from 1793 to 1814 it averaged eighty shillings the quarter; and, during the last six years of the war, its average price exceeded one hundred and twenty shillings the quarter, and other articles of consumption had advanced in nearly the same ratio. Yet, during the war the trade in corn was *perfectly free*, and it was imported *by neutral vessels*, at *a small charge for freight*, from all agricultural nations, where its price was regulated by the charge of exporting it to England, and the difference in the rate of exchange. And as it was purchased by bills drawn on England, that were only convertible into a paper money, the nations that received them were, from necessity, obliged to import British goods, or British colonial produce, in return.

Hence, the importation of foreign corn, at that period, instead of causing prices to fall, forced them up, and all classes were prosperous.

During the war, a considerable portion of our army and navy were serving abroad, and obtained their food from other nations, which was also paid for by bills on England, convertible into a paper money; yet, notwithstanding the number of consumers at that period was so small, when compared with the number in the present day, and notwithstanding the supplies from other countries annually increased, prices continued to advance, and all the produce raised in the United Kingdom, and imported from other nations, was purchased and consumed by the population. Whereas, since the peace, our soldiers and sailors have returned home, the population has increased more than one-third, and the annual supply of foreign produce has been considerably diminished: yet prices have fallen, and continue to fall; and we have been told, and truly told, by legislators, that there has been "an excess of agricultural produce BEYOND THE DEMAND," at the very time when a large portion of the population was in a state of destitution through the want of it. The cause of this unfortunate state of things is obvious; there has been a reduction of expenditure *in wages*, which, by diminishing the ability of the great bulk of the people to purchase, reduced the demand, which necessarily depressed prices and

profits, and lowered the incomes of every other class of the community, excepting annuitants.

The rate of wages, like prices, is governed by the supply and demand. When the number of labourers exceeds the demand for their services, they, from necessity, must work for whatever wages they can obtain ; but when workmen are scarce, and the demand for them great, they require, and their employers are obliged to give, higher wages, which enables them to increase their purchases and consumption of food and clothing.

Labourers resort to places where they can obtain the greatest remuneration for their services, in like manner as farmers and merchants send their products to the best markets ; but when labourers can obtain a greater supply of the necessaries of life for low wages in the country, than for higher wages in London, they remain in the country ; and when farmers and graziers can obtain a greater profit on their corn and cattle, by disposing of them at lower prices in the country, than by sending them at a great risk and expense to London, they are sold in the country ; and *vice versa*.

The advocates for a gold currency, for prohibitory laws, for low prices, low wages, low rents, and for a reduction in the public debt and government expenditure, would do well to visit our country towns and villages, and inquire into

the state and condition of the people generally, and compare their present means of earning a subsistence by their labour and industry, with the means possessed by those who were in the same relative station of life during war. Were our legislators, who advance such contradictory theories on the science of political economy to do this, they would find that, notwithstanding the reduction of taxes and rents, and the general fall in prices, and the great increase in the number of consumers, tradesmen of all descriptions have a considerable less demand for their goods than when the population was one-third less, and that the working classes also, generally, do not, one with the other, consume half the quantity of bread, butter, cheese, beer, clothing, and other necessaries, that were consumed by people in the same station of life during the war, when the trade in corn was free, when taxes were heavier, prices nearly a hundred per cent. higher, and when England had a non-convertible paper money.

Were our legislators to make themselves acquainted with these facts, and be at the trouble to trace the source from whence the expenditure emanates that gives money incomes to the several classes of the community, and ascertain *what it is* that draws money and paper credit from bankers, and regulates and preserves their value, and the process by which the circulating property is increased and decreased, we should not hear such

contradictory theories advanced. Were our legislators and political economists to divest themselves of their preconceived opinions, and early prejudices, and think and reason for themselves, they would find that remunerating prices and good rents cannot be preserved by prohibitory laws, which deprive the great bulk of the people of employment, and therefore of the ability to purchase; that such ability they cannot attain unless trade be prosperous; that trade cannot be prosperous unless an increase of facilities be afforded to the trading community to make an interchange of products between man and man and nation and nation; that to increase such facilities, expenditure must be increased; that such increase of expenditure must emanate either from the state or the people; that if it emanate from the state, *the money or credit with which it must be made* should return to the state in taxes: and that if it emanate from the trading classes, it must, or should, return to them, part in exchange for the products they respectively create, and part in profits; and that whether such expenditure emanates from the state or the people, the community at large are benefited.

England has more than thirty millions of acres of cultivated land, while Ireland has scarcely twelve millions. The land of England is better cultivated, and yields *per acre* a much greater supply of products than the land of Ireland.

Yet, although Ireland is far more thickly peopled, the prices of her produce are low, and a considerable portion of her corn and cattle is annually exported to England, and consumed by the population of England, in addition to what her own soil produces. This difference in the quantity of products consumed in the two countries, is almost entirely occasioned by there being a greater expenditure of money and credit in *wages* in England than in Ireland.

The greater part of the cultivated lands of Ireland are divided into small farms at enormous rents; and they are generally cultivated by the families who occupy them. There are, therefore, scarcely any money wages in Ireland, excepting in towns, and there wages are always low; hence, prices are low. The occupiers of little farms merely send a sufficient portion of their produce to market, to raise the money required to pay their rents, which money does not, as in England, circulate amongst them. The produce that remains, which consists chiefly of potatoes, is frequently insufficient to support their families, their pigs, and their poultry. They have not, therefore, the means of purchasing labour, nor the goods of the shopkeeper; their clothing, generally, consists of rags, which they either obtain by begging, or in exchange for their eggs and potatoes: they, therefore, from necessity, are

obliged to build, repair, and mend and make, for themselves.

As rents are paid out of the proceeds of the produce raised, it follows, that when the crops fall short, and prices fall, a larger portion of the produce goes to the landlord in rent. Hence, in the year 1822, when there was a failure in the potatoe crop, and the prices of all descriptions of agricultural produce were depressed fifty per cent., a larger portion of such produce was exported from Ireland to England to raise the means of paying the rents of the Irish absentees, *than when prices were higher*, and *the crops more abundant*. From this cause we find, that during that calamitous year, a great mass of people were absolutely starving in the midst of plenty, and that while the people of England were sending corn and potatoes to Ireland to feed the Irish poor, the produce of Ireland was daily exported to the English markets.

Mr. Western,* in allusion to the distresses in Ireland at this period, thus expresses himself: "It is undoubtedly true, that in that year there was a partial failure of the potatoe crop, which is a calamity in Ireland, grievous in itself, according to the extent of the failure; but *never before* was

* See his Letter to the Gentry, Clergy, Freeholders, and Inhabitants of the County of Essex, as published in the Morning Herald of the 23d December, 1829.

any failure of that crop productive of the consequences herein described, nor *ever* before *was seen famine stalk through a country at the same moment that grain was at a price that would not remunerate the grower*, and that it was announced from authority that there was an excess of agricultural produce beyond the demand."

Mr. Western, like many others, attributes the existing distresses, and the "dreadful condition of Ireland in 1822," to the change in the currency produced by Mr. Peel's Bill, which he contends "advanced the value of money fifty per cent., and *has taken half the money out of the pockets of the industrious classes*."

Now Mr. Peel's Bill did not produce, and could not have contributed to produce, the distresses here alluded to: neither had it, *at that period, caused any rise in the value of money*. It was wholly and entirely inoperative *until* the unfortunate panic in 1825, which was produced by causes that will presently be detailed.

The distresses in Ireland in 1822, were occasioned partly by the failure of the potatoe crop, and partly by the great fall in the prices of agricultural produce in England, which, as has been already stated, obliged the occupiers of the land to dispose of the chief portion of their produce to pay their rents. And the fall in prices in England was wholly and entirely occasioned by the general reduction of wages, which reduced the ability of

the bulk of the people to purchase: and such reduction of wages was occasioned by the reduction in the government expenditure, and by the check given to trade by the unfortunate corn laws. Whether, therefore, the money of the country had consisted entirely of paper, or of gold, or silver, the results must have been precisely the same, unless expenditure had been increased.

Those who contend that the fall in prices was occasioned by abundant harvests, and an increase of supply, should bear in mind, that were it so, the farmers could have sustained no losses, but must have been benefited, inasmuch as, if the quantity of produce raised on the same spot of land be doubled, the cultivator might sell the surplus at half the price and be benefited.

Cheap labour is a scourge to all classes; whenever wages are generally low, and labourers are unemployed, products must be cheap, unless there be a scarcity, and it cannot be otherwise. In proportion as wages are high or low, the number of shopkeepers, and their trade, incomes, and expenditure, will increase and decrease, consequently in such proportion will the demand for food and other products be increased and decreased, and in such proportion must prices, profits, and rents, rise and fall. Every measure, therefore, that causes a depression of wages must be injurious to every class of society excepting annuitants; and every measure that causes wages to rise, and aug-

ments the demand for the services of the labouring classes, provided it do not cause a reduction in the supply of products, must give a corresponding increase of income, and be productive of benefits to all classes, excepting only annuitants, as the following details will fully prove.

RENTS, AND FARMERS' PROFITS AND LOSSES.

In former days, when money was scarce, the wages of labourers and the rents of lands were generally paid in produce; and this custom exists even in the present day in many parts of America and in other nations; and in some parts of America, *where land will yield rent,* its amount is regulated by the amount of the proceeds arising from the sale of the produce, be it much or little; hence the income of the landlord is governed by the quantity of produce raised, and the amount of its proceeds.

Since the practice of hiring land for a money rent has been general in England, its amount has been regulated by the average money value of its produce, by its vicinity to good markets, and by the demand.

Lands that are in the vicinity of towns will frequently rent for more than their produce will exchange for; and farms that afford facilities to

the occupiers to send their produce to good markets will rent higher than farms more remote; and rich lands will yield high rents when lands of inferior fertility will scarcely repay the farmer for cultivating them.

Prior to the late war the *average* amount of rent was about one third of the proceeds arising from the sale of the produce, and the remainder was appropriated by the occupiers to the payment of tithe, poor rates, taxes, wages, and all outgoing expenses, and the surplus was profit.

From 1793 to 1814 the prices of agricultural produce had more than doubled, and the great improvements made in lands and in agriculture enabled farmers to raise a considerably greater quantity of produce, while the high prices enabled them to bring into cultivation many millions of acres that cannot be cultivated at a profit when prices are low.

If a farm that in 1793 rented at £300 a year, raised produce that at that period exchanged for £900, and yielded produce during the last five years of the war that exchanged on an average for upwards of £1,200, and returned a rent of £700, the occupier was much better able to pay such rent at that period than £300 a year in 1793. But if he contracted to pay the same rent in 1822 and 1823, when prices fell fifty per cent. no fall in the rate of wages, or in the prices of other

articles, nor any reduction of taxes, could compensate him for his losses.

Here we see that the distresses among farmers, since the peace, has been occasioned by the fall in prices, and by their having contracted to pay the same rent when prices were low as when they were high, instead of regulating its amount by prices, as is the custom in some parts of America.

We are, however, told by landlords and farmers, and truly told, that unless the price of corn be high, they cannot raise it from lands of inferior fertility, and send it to market at a profit, even were such lands rent free;—that a very considerable portion of the land now in cultivation is of that description, and that were it thrown out of cultivation, as it necessarily must be if prices be low, a sufficiency of corn could not be raised in the United Kingdom to feed its people, and a large portion of agricultural labourers, shopkeepers, and country tradesmen, must be deprived of employment, and of the means of earning a subsistence for their families.

Now these are facts that cannot be controverted:—they are indisputable, as the following details will prove.

Lands of inferior fertility require a greater portion of labour, and a greater quantity of manure and seed corn, than lands of superior fertility; and however well they may be cultivated, they will not yield, on an average, more than half the quan-

tity of produce that may be raised on the superior soils.

If a farmer rent a farm containing two hundred acres of good land, and the same number of acres of inferior fertility, he will not cultivate the latter unless he can do so at a profit; and if a profit can be obtained from it, the profit on the produce raised on the land of superior fertility must be at least equal to the value of the produce raised on the inferior land, which profit ought to be the legitimate gain of the landlord. For instance, suppose such farm to be divided into two, the one containing the good land, and the other the bad; that the latter be rent free, and yields produce that exchanges for £500, which is only sufficient to cover the expenses of the tenant—in such case, the produce raised on the land of superior fertility will exchange for upwards of £1000, although the cost of cultivating it will be under £500: hence the occupier may pay a rent of £500, and be in a better situation than the occupier of the farm containing the land of inferior fertility, which returns no rent.

Suppose half the fifty millions of acres of cultivated land in the United Kingdom to be of superior fertility, and to yield, on an average, double the produce raised from the inferior soils;—that the outgoing expenses of the occupiers average £3 per acre, exclusive of rent, and that the aggregate value of the total produce raised be 210 millions. By such a calculation we shall find as follows:—

Value of produce raised on lands of superior fertility	£140,000,000
Cost of cultivating ditto	75,000,000
Landlords and farmers' profit, including interest on the capitals embarked in their business	£65,000,000

Value of produce raised on lands of inferior fertility	£70,000,000
Cost of cultivating ditto	75,000,000
Farmers' loss, exclusive of rent	£5,000,000

Now, suppose prices to fall fifty per cent., and the expenses of the farmer be reduced in the same ratio:—

Value of produce raised on lands of superior fertility	£70,000,000
Farmers' outgoing expenses, exclusive of rent	37,500,000
Landlords and farmers' profit, including interest on capital	£32,500,000

Value of produce raised on inferior soils	£35,000,000
Farmers' expenses, &c. exclusive of rent	37,500,000
Farmers' loss, exclusive of rent	£7,500,000

Let us next suppose that prices fall fifty per cent., and the farmers' outgoing expenses remain the same:—

Value of produce of superior soils	£70,000,000
Outgoing expenses, exclusive of rent	75,000,000
Farmers' loss, exclusive of rent	£5,000,000

Value of produce of inferior soils	£35,000,000
Outgoing expenses, exclusive of rent	75,000,000
Loss to farmers	£40,000,000

If land of superior fertility will yield double the produce that can be raised from the same number of acres of inferior lands, and the latter may be cultivated at a *less* expense, it follows that the superior lands should produce a rent equal to more than the value of the produce grown on the inferior soils. Hence the rents of landlords are chiefly derived from profits accruing from lands of superior fertility, and from such as are in the vicinity of towns and good markets; and the ability of the occupier to pay such rents is dependant on the prices their produce sells for, which is, and must be, dependant on the ability of the community at large to purchase.

All nations, excepting England, France, and Holland, contain *good land* that will not yield rent, and a population that are in want of its produce, but which they cannot obtain, because they have not wherewithal to buy.

Now it is very clear that the inability of the landlords of such countries to obtain rents and farmers' profits, and their labouring classes the means to buy, cannot be occasioned by taxation, nor by what is termed the burden of a public debt.

In England, where taxation is greater than in any other nation, all the good, and much of the inferior soils, are cultivated at a profit; and, until the reduction in the government expenditure on

the return of peace, and the unfortunate corn laws, such profit was very considerable.

In Holland, where the taxes are heavier, in proportion to the incomes of the people, than in any other nation, the poorest lands are cultivated, and yield rent.

In France, where taxation and the government expenditure is greater, in proportion to the incomes of the people, than in England,* all the good, and much land of inferior fertility, is cultivated at a profit.

It is contended by landlords and farmers, that a free trade in corn would cause such a fall in prices as to render it impossible for the occupiers of lands of inferior fertility, and of those that lay remote from good markets, to cultivate them at a profit, and that such lands would in consequence go uncultivated, and a large mass of agricultural labourers, and country tradesmen and shopkeepers, would, in consequence, be deprived of the means of earning a subsistence by their labour and industry. On the other hand, the mercantile classes contend, that it would be more to the interest of the nation, and of the community at large, that such lands should be uncultivated, and to import foreign corn, than to have high prices. Now let us examine these contradictory theories.

* See the Author's Essay on Political Economy.

As prices are regulated by the supply and demand *in the market*, a very inconsiderable increase of supply, while the mass of the people is unable to obtain good wages, and is therefore obliged to buy less, might so overstock the market as to occasion a depression of prices that might (as landlords and farmers assert) involve the cultivators of poor lands in ruin, and thereby cause such land to be uncultivated. Now let us suppose such a calamity to happen, and trace the results.

The average value of the produce raised on poor lands, and on lands that do not afford facilities for the occupiers to send their produce to good markets, cannot be estimated, at the present prices, at less than forty millions. Now suppose these lands to be uncultivated, and suppose also (what, however, could not happen) that foreign corn equal to the quantity now raised on the poor lands be imported;—with what would it be paid? It could not be paid for in gold, inasmuch as we have scarcely twenty millions of gold in the country: it would, of course, be purchased with bills drawn on England, convertible into British money; but such bills *could not be converted into gold.* Were it therefore possible to import so large a supply of foreign produce *at low prices*, which it is not, the Bank of England must suspend its payments. But no such consequences *could* result from the poor lands being unculti-

vated. Were such lands uncultivated, and the government expenditure reduced, there would be scarcely any foreign corn imported; inasmuch as there could be no demand. The demand for corn, and other products, is not created by *the wants* of the people: there may be, and there frequently is, an abundance of people in want of food in nations that have an abundance of corn and cattle for which there *is scarcely any demand;* as was the case in Ireland in 1822, and is now the case in England. It has been already stated, that it is the labouring classes who are the chief consumers of food in all nations: when, therefore, these classes cannot purchase, there can be no demand for foreign produce. An ability to purchase increases demand—demand forces up prices, and high prices lead to an increase of supply. Now, if we take the trouble to inquire *what it is that creates an ability* in the great mass of the consumers of the produce of the land to purchase, and *what the commodity is with which such purchases are made,* and *from whence it emanates,* we shall find, that such ability has been, in *a great degree,* derived from the expenditure of a *paper credit,* advanced to and expended *by farmers* and landlords.

During the late wars, nearly the whole of the agricultural produce consumed in the country was purchased with country bank-notes, the greater part of which was obtained by farmers, in ad-

vance from bankers, and paid in wages to their labourers, by whom they were re-expended in the purchase of the goods of shopkeepers, and of the services of tradesmen; which money, by being so expended, created an ability in these classes to purchase the produce of the farmer. By such a process, therefore, the paper money, obtained in loans from bankers, by being expended in cultivating the land, was returned to the farmer for the produce raised. Hence, had we no country bank notes, and were our poor lands uncultivated, many of those who now purchase and consume their produce would *be deprived of the ability to buy*, and be destitute of the means of earning a subsistence for their families.

The fall in prices, occasioned by the reduction in the government expenditure on the return of peace, by exciting a feeling of alarm among farmers and landlords, induced them simultaneously to reduce *their* expenditure, and lower their rate of wages, and also to discharge many of their servants and workmen: and by so doing, they were instrumental in bringing on themselves the evils to which many of them fell victims.

Suppose an island to be peopled by fifty families —that one family owns the land—another farms it, and contracts to pay two hundred pounds per annum as rent; and that the remaining families consist of tradesmen and labourers. Now, if the outgoing expenses of the farmer, including rent,

be a thousand a year, and he receives back the same sum annually in exchange for his produce, he pays one-fifth of the proceeds in rent. But if he reduce his expenditure to five hundred pounds a year, and only receives that sum back in exchange for his produce, this rent takes one-third of his produce.

To preserve remunerating prices to the cultivators of poor lands, there must be an increase of expenditure; and such expenditure must emanate from some source or other; and the money, or credit, with which it is made, should return to the parties from whom it emanates.

ON THE DIVISION OF PROPERTY.

THE fact that the rental of landlords exceeds sixty millions per annum, and the amount of taxes fifty millions, while a considerable portion of the labouring population is unable to obtain, by its labour and industry, the common necessaries of life, induces people to conclude, that the existing distresses have been occasioned by what is termed the burden of taxes and high rents; and the bulk of mankind believe, that were taxation, rents, and prices, reduced, the trading community, and the working classes, would be prosperous.

A reduction of rent would, doubtless, be a relief to farmers; but it would be merely a transfer of income from the landlord to his tenant, from which the community at large could derive no possible benefit; that is, provided the landlord reside in his own country, and *expends his income,* or lends *it to others who expend it;* for whether more or less of the money annually received by the farmer for his produce be re-expended by the landlord or the farmer, or by those to whom they may advance it in loans, is a matter of no importance to the community, *so that it be re-expended* and be kept in circulation.

Landlords and farmers, like the state and annuitants, make an expenditure on credit, in anticipation of their income. They obtain advances from bankers, and contract debts with tradesmen, who, to furnish them with the articles they require, obtain a medium from banks, which is paid in wages to the artisans and labourers employed in creating them; and such medium, so obtained, and so expended, circulates through all classes of the community, in exchange for more or less of the products of all, until it is acquired by the landlord in rent, by whom it is returned to the tradesman in payment of the articles its expenditure enables the working classes to create, and by the tradesman it is returned to the banker, in exchange for the securities on which it is advanced.

It is by such a process that the capitals of land and labour are made productive; and every class of the community enabled to exchange its produce for the commodities of merchants, the goods of tradesmen, and for the services of the working classes; and it is by such a process that these classes are enabled to obtain, in exchange for their labour and commodities, the produce of the land.

The good of the community requires that the aggregate of expenditure should be so increased as to enable every man to derive from his labour and industry an income sufficient to enable him to purchase a sufficiency of the necessaries of life. But whether such increase of expenditure be made by the state, or by landlords, merchants, tradesmen, manufacturers, or farmers, and whether the medium with which it is made be returned to the state in taxes, to landlords in rent, or to merchants, manufacturers, tradesmen, and farmers, in exchange for their commodities, can be a matter of no importance to the labouring classes, so that those who acquire it re-expend it, or lend it to those who re-expend it, in the purchase of more labour or products.

No change in the division of property could be productive of benefit to the trading community, nor to the labouring classes generally, unless it produces an increase of expenditure. The distresses of these classes cannot be mitigated or

relieved unless they derive from the sale of their commodities, and from their services, an increase of income; and this they cannot have unless the aggregate of expenditure, from which all incomes emanate, be increased.

If a man bestow the price of a coat in charity, and buy a coat less, there is the same sum expended, but a coat less made; if the sum given in charity were exchanged for a coat, part would go to the workman in wages, part to labourers employed in manufacturing the cloth, and the other materials, and the whole would be re-expended in the purchase of food and clothing, and other articles, created by the industry of the working classes, until it finds its way back to the bank from whence it came, in exchange for the securities on which it was advanced, or as deposits of savings made by those who acquire it, in exchange for their services, by the hire of their property, or by the sale of their commodities.

If a man build a house, every shilling expended in building it is distributed, either directly or indirectly, in wages to the labourers and artisans employed in obtaining, creating, furnishing, and preparing the materials, and in building it; and the whole is re-expended in the purchase of food and clothing, and other necessaries; which occasions an increase of purchase of labour and products, that exceeds, by many times, the amount of the sum expended by the builder; while the

expenditure of such money or credit occasions an increase in the amount of the circulating property, and in the aggregate of savings, that enables the community to purchase the house when built. Hence, by borrowing a paper credit, and expending it in building a house, a large expenditure in the purchase of the services of labourers, and of the goods of tradesmen, is made, and a new capital created,—whence a permanent annual income is derived that leads to an annual increase of expenditure. Whereas, had no such credit been borrowed or expended—the labourers would not have been employed,—the materials for building the house would not have been purchased, and no such capital would have been created.

Suppose a public creditor or annuitant to derive an income of a thousand pounds a year from the state, which he expends in his neighbourhood. The several tradesmen, to supply his wants, and the wants of his establishment, will employ labourers and artisans to create and obtain the articles he requires; and what such tradesmen pay in wages will be re-expended in the purchase of food and clothing, for which an increase of demand will be so produced; such money will, therefore, be expended and re-expended in the purchase of the additional labour required to increase the supply; and it will be again and again returned to shopkeepers for food and clothing, and be again and again expended in

wages. By such a process, the expenditure of the annuitant gives birth to an expenditure, and to a sale of labour and of products, that exceeds, by very many times, the amount of his income. While the several classes who are by such means enabled to sell their services and products, derive an ability to purchase and consume exciseable articles, and to pay their portion of taxes, which causes the money expended by the annuitant to be returned to the Exchequer in taxes.

Here it will be observed, that it is the demand of the annuitant for the tradesman's goods that creates the demand for, and the expenditure of, the banker's credit; which, by being paid in wages, creates a demand for, and an increase of sale, and supply of food and clothing, and other necessaries, which, by giving an increase of income to the venders of these articles enables the community to return the money expended by the annuitant to the Exchequer, in taxes.

Were the state to reduce its expenditure, there must be a corresponding reduction of demand for the goods of the tradesmen, and for the labour of the working classes. If landlords reduce their rents, they also must reduce their demand for articles of all kinds, and employ fewer labourers and servants; and if merchants and manufacturers lower their profits, and have diminished demand for their goods, they in like manner must employ fewer workmen, and lower the rate of wages;

and when the labouring population are deprived of employment, or have a reduction of wages, they, who are the chief consumers, will purchase and consume a less portion of food, clothing, and other necessaries. It is not, therefore, by reducing the ability of the state, of annuitants, or of landlords, to purchase the goods of merchants, manufacturers, and tradesmen, and the services of the working classes, that the distresses in the trading community can be alleviated. It is not by having recourse to such measures, that the great bulk of the people can acquire an ability to purchase or obtain the necessaries of life.

We may divide the community into four classes. The first class consists of the public creditors and the servants of the state, of fundholders, of landlords, and of all those who derive their incomes *directly* from the state, or from the hire or loan of their property or credit. This class may, therefore, be denominated the first class of unproductive labourers.

The second class consists of merchants, farmers, tradesmen, manufacturers, and builders, and of all those whose incomes are *directly* derived from profits on products sold. This class may, therefore, be termed the first class of productive labourers.

The third class consists of domestic servants, who may be denominated the second class of unproductive labourers.

The fourth class consists of labourers and artisans, employed in cultivating the land, in building houses and ships, and public works, and in creating and exchanging products of all kinds. This class, which includes the great mass of the people, may be termed the second class of productive labourers.

Now the money and credit *expended* by these several classes, *from whatever source derived,* are, either directly or indirectly, exchanged for the new property annually created, *the proceeds of which are redistributed* among the parties from whence they emanate, in taxes, rents, profits, tithes, interest, in payment for professional services, and in wages. Hence, the aggregate of the sums received in payment for the new property created, is the aggregate of income. If, therefore, the aggregate of income be two hundred and sixty millions,* and the state were to reduce its expenditure, *in wages to productive and unproductive labourers,* twenty millions,—landlords twenty millions,—annuitants ten millions,—the trading community fifty millions,—the sums paid in wages to the labouring classes would, in such case, be diminished one hundred millions: consequently, the aggregate of their expenditure in the purchase of products, be they more or less, would be diminished one hundred millions, which would

* The Courier of the 1st Jan., 1830, estimates the aggregate of income in the present day at only two hundred and sixty millions.

cause a corresponding reduction in the aggregate of income.

Here then we see the cause of the great increase on the money value of all capitals during war; and also the cause of the great depreciation in the money value of all property on the reduction of expenditure on the return of peace.

There are in the United Kingdom millions of people who are half their time unemployed; and who, if employed in creating property of one kind or other, and in exchanging the produce of England and her colonies for the productions of other nations, might obtain, in exchange for their labour, an abundance of food and clothing, and other necessaries to supply their wants, and might spare *half* the produce of their labour to the state in revenue. In short, were one half of the unemployed labourers employed by the state on some public work, and the other half in creating commodities, and in exchanging them with other nations for food, &c., they would be able to obtain in exchange a sufficiency to supply their own wants, and the wants of the labourers employed by the state. But if the working classes be unemployed, instead of being a benefit and a source of riches and of wealth to the nation, they become a burden on it. And they cannot be profitably employed unless they are able to exchange their labour for money or credit, that will purchase food and other necessaries. But people will not ex-

pend money or credit in the purchase of labour, unless they can obtain *it back* in profits, or rents, or in payment for their own services; and the government cannot increase expenditure, nor find employment for the unemployed population, unless it receive back from the community, in taxes or in loans, the money or credit it may expend in payment of their wages:—as will be presently proved.

PUBLIC DEBT AND GOVERNMENT EXPENDITURE.

Political economists, and many legislators, have compared the nation to an individual. They contend, that as an individual who borrows money from time to time, and makes an expenditure beyond his income, will, in the end, become a bankrupt, it must be the same with the nation: and this reasoning would be good, were the money borrowed *from*, and expended among, *the people of other nations;* and, also, provided the lenders can demand, and should require the interest to be paid in gold, or in any other *foreign* article, of which the quantity is limited, and the supply dependant upon the foreign *demand* for British goods and British securities.

The nation is a family. If, therefore, the state, by borrowing and expending a paper credit, can

create such an increase in the demand for, and in *the supply of, all the necessaries of life*, as to enable the labouring classes and the owners of property to obtain *an increase* of wages, profits, and rents, that enable them to pay the interest of the credit borrowed, and at the same time to increase their purchases—it necessarily follows, that the wealth of the nation must be so much augmented, inasmuch as the *increase* in the supply of the necessaries of life which the expenditure of such credit causes to be created and obtained from other nations, and to be distributed among all classes, is so much increase of wealth.

Now this is exactly a case in point with respect to the public debt. The money borrowed and expended by the state was borrowed from and re-expended in the purchase of the services and commodities of the people; it, therefore, became the property of the people, and the *property of the people is the property of the nation.*

As the nation is a family, it is impossible that its riches or its wealth can be increased or decreased by any debts that may be due from *one branch of it to another.* Its wealth consists in the number of its people, and in the quantity of its products. Hence, if, by means of a debt and taxation, a demand for labour and products can be created, that occasions an *increase of supply*, and causes an additional quantity to be distributed amongst its several members, in exchange for

their labour and their property—the wealth and the riches of the whole, and of its several members, must be proportionably so much augmented.

All products are either directly or indirectly produced from the land *by the labour of the people.* The capital of the nation, therefore, consists in the land and the people; and its wealth in the quantity and quality of products raised and created.

If a landlord, by borrowing money at five per cent., is enabled to cultivate his waste lands, and obtain a return of profit of seven per cent. on the produce raised, he will be benefited and enriched by continuing to borrow, and by expending his surplus profit in cultivating the remainder of his land, until the whole be cultivated. By so doing, his debt becomes greater, and his expenditure exceeds his income; but his income, and his ability to discharge the interest of his increasing debt, are augmented in a much greater ratio. When his land is all cultivated, it would be to his interest and advantage to appropriate the surplus profit to the liquidation of his debt; but not until then.

It is precisely the same with respect to the nation; all profits, money incomes, and wealth are derived from *labour,* and man unemployed is like good land uncultivated. As good land, when cultivated, will yield corn, so will labourers, when employed in raising and creating products,

augment the supply. If, therefore, the state, by making an expenditure on credit, can so increase the demand for products as to induce capitalists to employ the unemployed labourers in augmenting the supply, the riches of the nation and the wealth of the people are so much increased. But when an increase of expenditure on the part of the state does *not increase* the demand *for labour, nor occasion an augmented supply of the necessaries of life*, nor cause the same to be more generally distributed among the several classes of the community, no benefit can result therefrom ; and when such expenditure and taxation *so operate* as to cause a *diminution* in the supply of products, taxation becomes a burden ; but this *can never be the case while there are labourers unemployed*, provided the amount of the *circulating property* be increased in proportion as expenditure is increased.*

If a landlord, by borrowing and expending money in improving his land, can raise such an additional supply of produce as to enable him to retain a larger quantity for himself, and to distribute a greater portion to his labourers, besides what are required to pay the interest of the money borrowed—he, his labourers, and the money-lender, are all benefited. Now this is exactly a case in point, with respect to the expenditure of the state.

* This theory will be more clearly illustrated under other heads.

If a landlord exact one-fourth of the produce of his land as rent, and his land, by an improved mode of husbandry, will yield double the quantity of produce, and prices advance on an average a hundred per cent., the rent of the landlord and the inoome of the farmer will be quadrupled. It is the same with respect to the nation. If, prior to the war, the money value of the products annually created were one hundred millions, and if, during the war, they on an average doubled in price and doubled in quantity, it follows, that the aggregate of the income of the community must have quadrupled ; and it also follows that the people must have been better able to pay seventy millions of taxes, out of an aggregate of income of four hundred and fifty millions, than eighteen millions out of an income of only one hundred millions ; or fifty millions out of an income of two hundred and sixty millions.

The large expenditure of a paper credit during the war enabled a large mass of the community to find markets for their services and labour ; which, but for such expenditure, would not have been purchased : it occasioned a considerable increase in the supply and distribution of all the necessaries of life, which, but for such expenditure, would not have been raised : it enabled merchants, tradesmen, and farmers to realise profits, and landlords rent, that, but for such expenditure, they never could have obtained :

it gave birth to discoveries that have enabled the community to create products with a diminished portion of labour, which, but for such expenditure, would not have been made: it caused new capitals to spring up, from which large annual incomes are derived, which, but for such expenditure, would not have been created: it caused canals to be excavated, and new roads to be made, for which, but for such expenditure, there would have been no demand: it enabled the several classes of the community to realise money capitals, that considerably exceed in amount the debt which its expenditure created, which, but for such expenditure, they never could have acquired: and, in short, it has occasioned an augmentation in the value of all property, whence rents, profits, and interest are derived, that enable the owners thereof to obtain a permanent annual *increase* of income that very considerably exceeds the amount of the public revenue derived from taxation, and from the annual expenditure of which the community at large derive an annual return of ability to purchase the necessaries of life.

Were the public debt expunged, and the government expenditure reduced to five millions, there would be no increase of wealth: there would be the same quantity of land, of gold, of silver, and of products; but they would not be distributed: there would be no buyers, inasmuch as the amount of circulating property would be reduced

from fifty millions to five millions, and the aggregate of income from three hundred and fifty millions to fifty millions. Were there no debts, or taxes, or rents, there would be no such thing as money. The losses sustained by the trading community during the panic, consisted of a reduction of debts; there was no loss of products to the nation; those who failed sponged out their debts, and the individuals to whom such debts were due, lost so much money capital, which, by reducing their income, obliged them to employ fewer labourers, and to purchase fewer products; the number of unemployed labourers were therefore increased, and the demand for products lessened, which caused a depression of prices.*

All political economists, and the public generally, admit that money capital is wealth, and that the resources of the nation are in proportion to the amount of money capitals possessed by its people; and every one knows, that rents, taxes, and all incomes, are derived from the expenditure of a paper money, with which every description of property is bought and sold; yet all paper money is credit, and all credit and all money capital is *debt*, and nothing but debt.

The riches of Messrs. Rothschild, Baring, and other great money capitalists, consist chiefly in debts due to them from states and individuals;

* This will be explained under other heads.

and their ability to obtain gold and silver, and to advance loans to states, is derived from the sale of public securities.

England has a public debt to a greater amount than any other nation; and as such debt, and the debts of other states, are principally due to her own people, her own people possess money capital to a greater amount than the people of any other nation or state; and as the shares in such debt will exchange for a species of money that will purchase gold, silver, and all kind of products, and also foreign bonds and securities that will exchange in other nations for gold, they possess a greater ability of obtaining money, and of lending it to others, than any people under the sun.

The interest of this debt is paid by money expended in wages to the labouring classes, which, after being many times exchanged and re-exchanged for products and labour, and been, alternately, the property of every class of individuals, is returned to the Exchequer in payment of duties on the commodities which it, in its various stages of circulation, enables the community to purchase.

Money capitals are acquired by savings made by a portion of the community of the proceeds arising from the sale of labour and products, which, by being advanced in loans to others, and to the state, become debts. Hence, in proportion as *some individuals* expend less than their income,

others should expend more, otherwise the aggregate of expenditure and of income must be reduced; but people cannot expend more than their income, unless they make an expenditure on credit, or borrow the savings of others, or — which amounts to the same thing—exchange their property for them. If they borrow the savings of others, the aggregate of money capital and of debt is increased; but if they exchange their property for them, it is otherwise.

If the Bank of England have twenty millions of its paper in circulation, it owes a debt to that amount to the holders of its notes, to whom they are money capital. Exchequer bills, turnpike bonds, shares in bank stock, mortgages, and, in short, all descriptions of paper securities, are debts: —they are also capitals to the individuals who own them. The property of the Bank of England consists of securities obtained from the state and the community, in exchange for the paper it issues: and it is from the interest obtained on such securities that its revenue is chiefly derived. Yet such securities are vouchers of debts due to the bank from the parties from whom they have been obtained.

During the war, the state borrowed a paper credit of the Bank of England on Exchequer bills, which it expended in the purchase of the services and the commodities of the people: and those who acquired a larger portion of it than

their wants required, either advanced it in loans to individuals, or to the state, or they exchanged it for funded stock, which was generally supplied them by private bankers, who re-exchanged the proceeds with the Bank of England, for the bills on which its notes were advanced, or returned them to the state in loans. Such was the process by which the debt was created, the value of paper money preserved, and from which the ability of the people to increase their advances to the state, in proportion as it increased its expenditure, was derived. Hence, the public debt, and the expenditure of the state, which, we are told by theorists, are burdens that clog the wheels of the nation, and paralise her energies, cramp her endeavours, check her industry, deprive her farmers and her merchants of markets for their products, and her labourers of employment, have been the sources from whence her riches, her prosperity, and the incomes of her people, have been, and now are, derived.

If the public debt be a burden, all other debts and money capitals must also be burdens; inasmuch as, whether money be lent from one class of the community to another, or whether it be advanced to the state, which makes part of the same community, it amounts to precisely the same thing. In the one case, the interest is paid by taxes levied on the community, in the other, by profits derived from the sale of commodities,

which are taxes under another name; both operate alike—they cause prices to advance, and are paid by the purchasers and consumers, who are the public at large. Rents, tolls, the interest of money lent, and profits, are all taxes under another name, and they are all paid with money derived from the sale of labour and products.

All advances made by bankers, and all loans made by one man to another, are so much increase in the aggregate of debt. If a man deposit a thousand pounds with a country banker, the latter will remit it to his London agent, as a deposit, or in exchange for some public security; the banker who acquires it, will advance it in loans on bills to tradesmen and merchants, who will expend it in wages to their workmen, and in the purchase of commodities of one kind or other, and it will ultimately be again acquired by a banker as a deposit, by whom it will be re-issued in a loan to another. While the country banker, by having such a deposit in his agent's hand, will be enabled to advance his paper credit to three times its amount. It is by such a process that the money expended by the state is made to multiply expenditure and income to many times its amount, and to create an ability in the community to return it to the state in taxes.

All money and credit advanced by bankers to the trading community, is either directly or indirectly expended in the purchase of labour and

products; hence it necessarily follows, that the sale of labour and products must be increased and decreased, in proportion as bankers increase or contract their issues. And if they increase their issues, they must increase the aggregate of debt, and *vice versâ.*

The distresses of farmers, and of the trading community, are occasioned by a diminished demand for their products, which obliges them to lower their prices, and the distresses of the working classes are occasioned by the diminished demand for their services, which obliges them to labour at reduced wages. Now, if the unemployed medium deposited in banks be advanced to the state, or to individuals, and be expended in the purchase of labour or products, the demand is increased, prices and wages advance, and such distresses are relieved. But this object cannot be obtained without increasing the aggregate of debt. If the money be lent to the state, the interest must be paid by taxes: and if it be lent to the trading community, it must be paid out of profits derived from an increase of sale, or an increase of price. Whether, therefore, the interest be paid to the state in taxes, or to the trading community in profits, the results are precisely the same as far as the labouring classes are concerned.

The reduction just made in the incomes of the workmen in the dock-yards, by depriving them

of the chip money they have heretofore been allowed,* will cause a reduction in the aggregate of the proceeds of products, and in the aggregate of income, to the amount of, at least, £360,000, and reduce the revenue £60,000. For instance:—

If we estimate the aggregate of the proceeds of products, and the collective income of the community at three hundred and sixty millions, and the circulating property, exclusive of what is deposited in banks, at about forty millions, it follows, that the money in circulation purchases products and multiplies income to nine times its amount. Hence, as the £40,000 heretofore obtained by the state from the bank, and paid to the workmen of the dock-yard, *will not be again expended, it cannot be acquired by the community;* consequently, the amount of the circulating property must be so much diminished, which will necessarily reduce the aggregate of income in the proportion stated.

It will be observed, that money drawn from banks, and paid to people *who re-expend it for products so soon as they acquire it,* circulates with much greater rapidity, and multiplies income to a much greater amount, and returns oftener to the Exchequer in taxes, than money that is paid to individuals who hoard it, or deposit it as savings in banks. In proportion, therefore, as the state

* See the public papers of the 18th January, 1830.

reduces its expenditure *in wages to the working classes*, in such proportion must the amount of the circulating property be diminished, and the reduction in the aggregate of income will be equal to nine times the amount of such reduction.

EXCESS OF LABOURERS, EXCESS OF PRODUCTS, AND EXCESS OF TAXES.

One class of political economists contend, and with truth, that the wealth and resources of a nation consist in its people, and that there cannot possibly be an excess of commodities; while others denominate this theory as "childish, and as being opposed to facts, inasmuch as, according to this reasoning, an excess has been a matter of continual occurrence."* And these reasoners, if reasoners we may term them, go so far as to assert that the distresses of the labouring population have been occasioned by an *excess of commodities*. That is to say, that the cause of the labouring classes being unable to obtain a sufficiency of food and clothing to supply the wants of their families, is to be attributed to the circumstance of there being an *excess of food and clothing*; such is, in fact, the reasoning of legislators and writers, who contend that the distresses of the labouring classes

* See Blackwood's Magazine for October, 1829.

are occasioned by "an excess of products." Others contend, that such distresses have been occasioned by *trade having been overdone.** Now all trade is carried on by the labour of the people, and every body knows, that in proportion as trade flourishes the demand for labour increases: and it is notorious that the working classes are in distress because they cannot get work; yet we are told that these distresses are occasioned by "*trade being overdone.*" By a parity of reasoning, it might be contended, that the wants of our unemployed labourers are occasioned by their having an excess of food and clothing.

All political economists admit the fact that all wealth is derived from labour, and that the resources of the nation consist in its people, its products, and its money capital. Yet, with an inconsistency the most extraordinary, they contend that the distresses of the people are occasioned by an excess of labourers, an excess of products, and by an excess of money capital. Such are the contradictory theories advanced, by writers on political economy, and by many legislators.

Were our legislators to take the trouble to trace effects to their causes, and to think and reason for themselves, they would find that there cannot be an excess of products—that trade cannot be over-

* See Parliamentary Debates, and Mr. Western's Letters to his Constituents.

done—that there cannot be a money capital without debt,—and that an increasing population may be made to be a blessing to the nation and a source of wealth, instead of an evil.

That there have been, and that, in many nations, there always are, what are termed an excess of labourers, and gluts of commodities of one kind or other, is indisputable ; but it is equally true, that wherever and whenever such a state of things exists, there are people who are in want of the services of such labourers, and of the commodities that are in such abundance, but that they are unable to obtain them because they have not wherewithal to buy. Hence what are termed an excess of labourers and gluts, are not occasioned by the people being too numerous, nor by there being a greater supply of commodities than the wants of the people require, but by their inability to purchase, which is occasioned either by there not being a sufficiency of circulating medium, or by its not being expended by those who possess it, nor advanced in loans to those who would expend it could they acquire it.

Suppose an island to be occupied by a hundred families—that one person owns the land, and has an abundance of corn, cattle, and produce of all kinds, and might double his supply, but is deterred from doing so by reason that he cannot find a market for what he has ; that the several families on the island are in want of his produce, but hav-

ing nothing that they can offer in exchange but articles of merchandize and their labour, which he does not require, they are unable to purchase. In such case, the landlord will have what is termed an excess of corn and cattle, and the tradesman an excess of goods: and as the unemployed labouring families, who will have neither the one nor the other, will be dependant on the charity of the landlord for support, there will be an excess of labourers. There will, therefore, be distress and starvation in the midst of plenty.* Now let us suppose that there be a chief in this island, who employs one tenth of the unemployed labourers in making roads, in cutting canals, or as soldiers and sailors, and pays them with a paper money, coined by himself, which he exacts back from the landlord and the tradesmen in taxes. In such case, they must acquire this money by receiving it in exchange for their several products; they will, therefore, employ an additional number of labourers to replenish their supply, and as the wages paid to such labourers will be returned to their employer, in exchange for an additional portion of their products, their demand for labourers, to increase their supply, will be augmented yet more

* This is actually the state of things in many parts of South America, in Ireland, and in many other parts of the world which the author has himself visited. See also Mr. Western's Letter to the Gentry, Clergy, and Freeholders of the County of Essex, dated December 10th, 1829.

and more, until the whole of the before unemployed labourers shall be in full employ. The money, therefore, expended by the chief will be exchanged and re-exchanged many times between the landlord and the tradesmen and their labourers, before it returns to the chief in taxes: and by being so exchanged, it will cause an increase in the supply of products, and create at the same time an ability in the labouring classes to purchase them. By such a process the labourers will be paid for their services, and the chief his taxes, with a *portion* only of the products their labour creates, while a portion will remain with the landlord and tradesmen, who will have *a greater supply of products than before;* the tax, therefore, would be paid by the labouring classes: but as they could not have acquired the means of purchasing products were there no such tax, they are benefited by it. It is in this way that a government expenditure and taxation so operate as to be productive of benefits to all classes.

Now suppose that the landlord and the tradesmen, who acquire this money, acquire it in a greater amount than they are required to pay in wages and in taxes, and lend the surplus to others at interest, in such case it will be again returned to them for their products, and the borrowers must, in the succeeding year, create a something that will exchange for a sufficiency of such money to pay the interest. By such a process,

therefore, a money capital is created, the demand for labour increased, and the supply of products augmented.

Were the state to employ *all* the unemployed population as *unproductive* labourers, and pay them with a paper credit, or with money obtained from the people by taxes, such a measure would be robbing Peter to give to Paul; such a measure would merely cause a greater division of property, and could not occasion an increase in the supply of products, inasmuch as there would be no labourers to create them unless it should cause domestic servants, and other unproductive labourers, to be employed as productive labourers.

Suppose two families to be separated from the rest of the world—that the products created by the one be exchanged for the products created by the other, and that such exchanges be made by means of money. Now whether they sell dear or cheap is a matter of no importance, inasmuch as if the one advances the price of his article, the other will do the same; but if they can both increase their supply of products, they are both benefited, be their prices high or low. Hence, a general advance in prices, although it be accompanied by a corresponding increase of income to *all* classes, could be productive of no benefits unless it occasions an increase in the supply of the necessaries of life.

Were the state to levy a tax on the community

sufficient to enable it to employ all the unemployed population in creating products of one kind or other, such a tax would oblige the taxpayers to reduce their expenditure, which might deprive as many labourers of another description of work as the state might employ, while the increase in the supply of products would cause such a fall in prices, as must be ruinous to the trading community. But were the state, instead of imposing such a tax, to pay the wages of those it might so employ with a paper credit, and exact the same back in taxes, or in a loan, or in payment for the property so created, all classes would be benefited; a greater supply of the necessaries of life would be raised, created, distributed, and consumed.

If it were true that the distresses in the country are occasioned by an excess of labourers and of products, in what possible way could they be mitigated or relieved by reducing the incomes of annuitants and the servants of the state, who, in such case, by reducing the demand must cause such excess to increase?

It has already been proved that money emanates from the state—that it goes first to the unproductive classes, and that by them it is exchanged for products and labour; now, if this be admitted, it necessarily follows, that although the expenditure of such money causes an increase in the supply of products, it does not cause such an

excess of products and of labourers, as there would be were annuitants and the servants of the state deprived of their incomes, and, thereby, obliged to labour and create products for themselves.

If it be true, as it most assuredly is, that the existing distresses are occasioned by a diminished demand for labour and products, it necessarily follows, that they can only be relieved by increasing the demand; and the demand cannot be increased unless expenditure be increased. To increase expenditure, credit or money must be obtained by loans from banks or individuals; and whether they be obtained from the one or the other, or by the state, or the people, so that they be expended, the results are the same. One fact is incontrovertible—it is certain that there is not a sufficiency of money or credit expended in the purchase of labour and products; and every body knows that its amount cannot be increased, unless it be expended by those who have it, or be obtained from them in loans, or from bankers; and if it be obtained from the one or the other, the aggregate of debt must be so much increased; and those who borrow and expend it should have it returned to them either in taxes, rents, profits, interest, or wages, or in exchange for the products it may enable them to create or obtain.

If money be borrowed by the trading classes, and be expended in employing the unemployed labourers in creating products, and by so doing

the supply so exceeds the demand, as to cause such a depression of prices as to deprive the producers of remunerating profits, they will be losers, and discontinue their trade. But when money is borrowed and expended in employing people as unproductive labourers, the demand for and the consumption of commodities are increased in a greater proportion than the supply, and wages and prices advance, and incomes are augmented.

The aggregate of the incomes of the community being the sum paid for labour and products, it follows, that, if the state by increasing its expenditure, can cause labour and commodities to exchange for double what they now exchange for, and the supply to be also doubled, the revenue, and the incomes of the people, would be doubled, and all classes might purchase and consume double the quantity of the necessaries of life they can now obtain.

As the community could better afford to pay taxes to the amount of one hundred millions out of an aggregate of income of eight hundred millions, than fifty millions out of an income of four hundred millions, provided prices do not advance in the same ratio,—and they cannot so advance if the quantity be increased,—it follows that if an increase in the expenditure of the state could cause such an augmentation in the aggregate of income and an increase in the supply of the necessaries of life, all classes must be benefited.

It has been already stated that all money originally emanated from kings and rulers of states, that it was first issued to their subjects in payment for their services, and in exchange for their commodities, and exacted back from others in taxes in lieu of each man's share of personal services, to which the state had a claim. Money, therefore, is credit, and had there been no such thing as taxes, there would have been no such thing as money. Hence it is we find that, with the exception of the United States of America, nations in which the expenditure of the state has been the greatest, have had the most money. All money represents labour : it is a species of credit paid for labour that will purchase products that labour creates, and the capitals whence they are produced ; and it is received in lieu of labour and commodities. The ability, therefore, of a nation to increase its money capital and taxation, is in proportion to the number of its people, and to the quantity and quality of products they can create and obtain. But as land will not grow good corn unless it be cultivated, and seed be sown, so will not labour capital produce wealth, unless the workmen be paid for their labour. Money is, therefore, as necessary to make labour capital productive, as seed corn is to raise good crops. As seed is taken from the crop raised, so is money raised in taxes, (which by being circulated among the people, causes an increase of supply,) taken

from the sums expended; money, therefore, raised in taxes, and re-expended among the people, may be compared to seed corn, which, if sown on good soils, produces more abundantly.

If seed be sown on unproductive lands it produces nothing. It is the same with money. If money be paid to people who hoard it, it produces no increase. If the quantity of corn sown on land be three times greater than is requisite, two-thirds of it is wasted. It is the same with money. If people accumulate money, and do not expend it or lend it, it is unproductive; and in its inactive state it is altogether useless. Money is to a nation what blood is to the body. The state is the heart from whence it is diffused, and to which it is continually returning. If blood accumulates in the head or the heart, health is impaired and life endangered; but by bleeding the patient a return of circulation is produced, and health is restored. It is the same with respect to money: if it accumulate in banks, or be hoarded by individuals, the prosperity of the nation is checked, its wealth decreases, and distress ensues. By means of loans, and a government expenditure, it is brought again into circulation; all classes acquire it in turn, and it is brought back to the Exchequer by taxation. By such a process a return of prosperity is produced—the wealth and resources of the nation increased, and all classes made prosperous.

As money is the substitute for, and the representative of labour, and the medium by which all exchanges are made, it ought to be composed of a something that has no value in itself; so that people may have no temptation to hoard it, or to convert it to other purposes. Its value should be wholly and entirely regulated by the obligation of the party who issues it, to receive it back in payment of debts, of taxes, as interest, and in exchange for as much labour, and as many products, as it was issued in the purchase of.

Whether money or credit emanates from the state, and be returned to it in taxes; or by landlords, and be returned to them in rents; or by bankers, and be returned to them as interest, and in exchange for the securities on which it is advanced, amounts to precisely the same thing, as far as prices and the working classes are concerned, provided it makes the same number of exchanges. Landlords and bankers, like the state, expend their incomes in the purchase of commodities, and of the services of the working classes; but there is this difference: the servants of the state are employed in promoting objects that are beneficial to the whole community; whereas, the servants of landlords and bankers are employed in administering to their individual wants, from which the nation derives no advantage. It is, therefore, of more importance to the country, that the money annually expended,

should be annually returned to the state in taxes, than to landlords in rent, or to bankers, as profit, or in exchange for the securities on which it is advanced; more especially, as all the money received into the Exchequer is returned to the community; which is not the case with money received by landlords or bankers. But an increase of expenditure cannot be made without causing a corresponding increase of rent, inasmuch, as an increase of expenditure in the purchase of labour and products, *let it emanate from whence it may*, must produce a rise in the prices of agricultural produce, unless, indeed, *the amount* of circulating property be reduced in proportion. It is the same with respect to the public revenue; while the taxes are the same, an increase of expenditure must occasion an augmented consumption of exciseable commodities. We cannot, in short, increase the expenditure of any class of the community without causing a corresponding increase of profits, wages, and incomes generally, save and except in incomes that are stationary and which cannot be increased or decreased by a rise or fall in prices and wages.

ON THE REDUCTION OF TAXES AND THE PUBLIC DEBT.

Mr. Ricardo contended, and Mr. Heathfield and other political economists of the Ricardo school contend, that were taxation reduced, and a portion of every man's property transferred to fundholders in payment of their shares of the public debt, the debt might in a few years be redeemed, and that prices would come down fifty per cent., and all classes be benefited.

Such fallacious and delusive reasoning, if reasoning it can be termed, would be wholly unworthy of notice did it not emanate from political economists, whose authority, unfortunately, has considerable weight with the public, and with our legislators.

That the debt might be redeemed, taxation reduced, and prices brought down, even more than fifty per cent., by the adoption of such measures is indisputable; but that men who undertake to instruct the public in a knowledge of the science of political economy, and who have made that science their study, should advance the extraordinary doctrine that the community could be benefited by a reduction of fifty per cent. in prices, is certainly a matter of wonder and astonishment.

If it be admitted, as it must be, that rents,

profits, wages, and interests, are all derived from the proceeds of products, it follows, that if prices generally be reduced fifty per cent. incomes must be reduced in the same ratio ; and if it be true, as it most assuredly is, that the money value of all property is regulated by prices, it also follows, that in proportion as prices fall, the money value of property must be depreciated.

Dr. Colquhoun in 1812, by estimating wheat at seventy shillings the quarter, and other articles at a relative price, calculated the aggregate value of the new property annually created, at about four hundred and thirty millions, which he also estimated as the aggregate of income.

Now let us suppose the products annually created in the present day to exchange for only two hundred and sixty millions ;* this will, of course, be the aggregate of income, consequently, if prices sustain a further fall of fifty per cent., there must be a further reduction in the aggregate of income to the amount of one hundred and thirty millions.

The aggregate value of the agricultural produce annually raised in the United Kingdom, may, perhaps, be estimated in the present day at about two hundred millions, which averages at about four pounds the acre, and the proceeds are annually distributed among the community in

* Mr. Lowe, and other writers, estimate their aggregate value considerably higher.

rents, taxes, wages, profits, and as interest;—reduce prices fifty per cent., and you reduce the aggregate of incomes derived from the *sale of such products* only, to the amount of one hundred millions.

If we estimate the average value of the *cultivated* lands in the United Kingdom at thirty-five pounds the acre, their aggregate value must exceed £1,700,000,000.; reduce prices fifty per cent., and the aggregate money value of such land must *ultimately* be reduced more than eight hundred millions, which exceeds the whole amount of the public debt.

By the calculations of Dr. Colquhoun it appears that the money value of the public and private property in the British Empire was about £4,096,530,895,* and that the money value of property in the United Kingdom alone was about £2,736,600,000. Now bring down prices fifty per cent., and you reduce the value of the latter, £1,368,300,000.

People in general are advocates for low prices, save and except in those articles from whence their incomes are *directly* derived; and they do not appear to understand that in proportion as the rate of wages and the prices of the products of

* As this calculation was made for prices fifty per cent. *below the then market price*, we may calculate the value of property to be about the same in the present day.

others fall, there must necessarily be, ultimately, a corresponding reduction of demand for the kind of articles, services, or property, from the sale or hire of which they respectively derive their incomes; and they cannot be made to comprehend, that it is the money and credit they pay in taxes, and for the services, labour, and products, and in rent for the property of others, that, *by a circuitous course, returns to them* in the purchase of their several products, or as interest or rent on the property they lend or hire;—yet such is the fact.

Were prices and the value of property reduced fifty per cent., and taxes, rents, contracts, debts, and wages, reduced in the same ratio, the relative situation of the different classes of society would be the same: but this object is not attainable; hence a fall in prices is beneficial to all who have a fixed income, but injurious to all whose incomes are dependent on profits, rents, wages, and interest. Every measure, therefore, that occasions a fall in prices, must be productive of distresses to all the labouring and trading classes, and be ultimately injurious to the community at large.

We are told, that were prices lower, our manufacturers might undersell other nations in foreign markets, and import a greater supply of gold and silver than they can now obtain. Now, in what possible way can the people of England

be benefited by such importations? Will the increase in the supply of the precious metals create an increase of ability in the labouring classes to obtain them, or increase their facilities of exchanging their labour and products with each other? The Bank of England is already overstocked with gold, and are the bulk of the people benefited by it? What advantages have Spain, Portugal, or any other nation derived from their importation of these metals from their colonies? Have such importations augmented their resources, or increased the comforts or happiness of their people? Or, since the creation of the world, what advantages or benefits have any nation derived from the accumulation of the precious metals? England has not derived her power, nor her people their wealth, from the importation of gold or silver; in the days of her prosperity she had scarcely any of either; it is only since they have accumulated in her coffers that her people have experienced distresses. Will the importation of gold and silver compensate the landlord for a fall of fifty per cent. in his rent, or the farmer and grazier for a similar reduction of profit?—or will such importation remunerate the manufacturer, the merchant, and the tradesman for a corresponding fall in the prices of the several articles they respectively create and vend?—or will such a general reduction of incomes in these classes augment their ability to employ the labouring population?

The prosperity of England has been derived from, and is wholly dependant on, her *home trade*, and not on foreign commerce, which is, and always has been, and ever must be, *dependent on her internal trade*, to carry on which she does not require large supplies of gold or silver.

During the war, all the agricultural produce her land would yield, and all the produce her people were able to purchase from other nations, together with four-fifths of the goods manufactured by the industry of her people, and the foreign productions imported in exchange for the other fifth, were all distributed among, and consumed by her people: and all classes were prosperous; and such products were purchased with a paper money that was issued in payment for labour, or in exchange for securities bearing interest—part in payment to the servants and creditors of the crown, and part to farmers and merchants in loans; the whole of which was *alternately* returned to the parties from whence it emanated, in payment of products, or for work done, or as taxes, rents, profits, or in loans, or in exchange for the securities on which it was advanced. But since the peace, a great portion of this money had been returned to the banks (that issued it), in exchange for securities, or as deposits, and *has not been re-issued.* It has, therefore, become so much waste paper. In propor-

tion, therefore, as the issue and expenditure of such money has been reduced, in such proportion has there been so much less expended in the purchase of labour and products, which necessarily caused a fall in the rate of wages and in prices.

The labour and products of the people are, in the present day, purchased with, perhaps, about fifty millions of money and medium, about twenty millions of which is issued from the Exchequer more than *twice* during the year, in payment of the servants of the crown, and the public creditor; and is acquired as often by the state in taxes,—by landlords, in rent,—and *many times* by their tenants,—and by tradesmen, in exchange for their products,—and by labourers in wages. It is the same with respect to country bank notes, which are expended by the trading classes—with this only difference, that the money expended by the state returns to the state in taxes, and country bank notes are returned, with interest, to the banks that issue them, in exchange for the securities on which they are advanced,—the process of expenditure being precisely the same.

To reduce taxation, therefore, and the public debt, and government expenditure, while we have labourers unemployed, and while the productive classes cannot obtain remunerating prices for their products, is to act like the miller, who, on finding that the stream that turned his wheel began to slacken, endeavoured to remedy the evil

by damming up the source of the spring from which it flowed.

INCREASE IN THE MONEY VALUE OF PROPERTY DURING THE WAR.

When we take into consideration, that a great portion of the fifty millions of acres of land now under cultivation in the United Kingdom, did not yield either rent or products previous to 1792; that rents of lands, previously cultivated, more than doubled during the war; and that the rental of lands in Ireland, and in the vicinity of towns, advanced in a much greater ratio; we cannot estimate the gross rental of the United Kingdom in 1813, at less than treble its amount prior to the war; and when we take into account the enormous rents obtained for lands in Ireland, and in many parts of England, we cannot calculate the aggregate of rent in 1813 at less than seventy-two millions, which, by such calculations, makes the *increase* in the aggregate of rent during the war, to amount to forty-eight millions, which is nearly equal to the gross proceeds of the taxes in the present day. And,

When we calculate the increase in the supply of products raised from lands that had previously yielded nothing; the increase in the quantity raised from superior soils; the rapid and extra-

ordinary increase in the number of our manufacturers; the large capitals embarked in trade; the increase of facility with which, by the aid of machinery, all descriptions of products were raised and manufactured, we cannot estimate the aggregate of products created in 1813, at less than double what were produced in 1792, and we know that, on an average, they more than doubled in price. If then this calculation be near the truth, and we estimate the aggregate money value of products in 1813, at only four hundred and forty millions, it follows that the money value of products in 1793 could not have exceeded one hundred and ten millions. By this calculation, therefore, it appears that the aggregate amount of the *increase* of incomes derived from the sale of products, occasioned by the war expenditure of a paper credit, exceeded the enormous sum of three hundred and thirty millions, out of which taxes to the amount of seventy millions, and rents to the amount of about seventy-one millions, were paid. And if we estimate the collective income of the nation in the present day, at about two hundred and sixty millions, the fall in prices occasioned by the reduction of expenditure since the peace, must have caused a diminution in the aggregate of income to the amount of one hundred and eighty millions.

DEPRECIATION IN THE MONEY VALUE OF ALL PROPERTY SINCE THE PEACE.

As the large war expenditure occasioned so considerable an increase in the money value of all property, and in the aggregate of income, so, when, on the return of peace, expenditure was reduced, the money value of property and the aggregate of income were reduced in about the same ratio.

The money value of the agricultural produce raised in the United Kingdom in 1813, has been estimated at about three hundred millions,* which makes the average value of the products raised per acre to be about six pounds, and the average value of the farmers' stock, consisting of cattle, grain, hay, straw, manure, butter, cheese, poultry, seeds, and other articles, at about seven pounds per acre, which makes their aggregate value at that period to be about three hundred and fifty millions.

In 1816, prices fell upwards of thirty per cent., and in 1822 and 1823 they sustained a further

* Dr. Colquhoun estimated the value of such produce in 1812 at about two hundred and twenty-five millions, and the value of farmers' stock at about two hundred and eighty-two millions; but the doctor's calculations were estimated at prices that were fifty per cent. below their actual money value at that period. See his work on the Wealth of the British Empire; but Mr. Lowe, in 1823, estimated the value of the agricultural produce *then* raised at about three hundred millions.

fall of more than twenty per cent.; consequently, if the money value of agricultural produce, and of farmers' capital in 1813 has been correctly stated, it follows, that the aggregate of the proceeds of such produce must have been reduced to the amount of one hundred and fifty millions, and that the aggregate value of farmers' and graziers' capital must have been depreciated to a yet greater amount; and if we calculate the aggregate of income arising from the sale of products in 1813, at four hundred and forty millions, we cannot estimate the aggregate of income so derived in 1822 and 1823, and in the present day, at more than two hundred and sixty millions.* But whether this rough estimate of the value of property, annually created and sold at different periods, be correct or not, is a matter of no great importance, as the argument and reasoning herein advanced will be the same, let the actual amount of the aggregate money value of property be what it may.

* Mr. Lowe estimated the proceeds of products, and the aggregate of income, in 1823, at four hundred and thirty millions, and *what he terms* the "taxable income" at about three hundred and fifty millions; but the Courier, of the 1st January, 1830, estimates the collective income in the present day at only two hundred and sixty millions, and the collective income of France at two hundred and ten millions.

ON THE PROPORTION WHICH TAXATION BEARS TO THE AGGREGATE OF INCOME.

If it be admitted, that, on an average, the products annually created and sold in the United Kingdom in 1813, doubled in quantity and doubled in price the products raised and created previously to the war, it follows that the aggregate of income must have quadrupled; and if it be admitted, that prices have, on an average, been since depressed fifty per cent., and that products have not considerably increased in quantity, it follows that the community were better able to pay taxes to the amount of eighty millions in 1813, than twenty millions in 1793, or than forty millions in the present day.

By estimating the aggregate of income in 1793 at about one hundred and ten millions, and calculating that in 1813 products had doubled in quantity and doubled in price, and that, since that period, they have depreciated fifty per cent. in money value, we shall find as follows:—

That in 1793 the community paid taxes to the amount of about eighteen millions, out of an aggregate of income of about one hundred and ten millions.

That in 1813 taxes to the amount of sixty-four millions were paid out of an aggregate of income of about four hundred and forty millions; and

That in the present day, taxes to the amount of

fifty millions are paid out of an income of about two hundred and sixty millions.

Now, although the aggregate of income in the present day is more than double the income of the community in 1793, yet, as population has nearly doubled, and prices are higher, and products are raised with a diminished portion of labour, incomes are not so equally distributed, and the demand for labour has not been increased in the same ratio; consequently, the distresses of the working classes are, and must be, considerably greater than at that period.

If the aforegoing calculations be near the mark, about one-seventh of the proceeds of products was paid into the Exchequer, in taxes, in 1793, and also in 1813, and a larger proportion to landlords in rent. And that, in the present day, (although taxes to the amount of twenty-five millions have been reduced, and rents in nearly the same proportion), nearly one-fifth of the proceeds of products goes to the state in revenue, and as great a portion to landlords, as rent.

Here we see that a reduction of expenditure, by *diminishing the aggregate of the proceeds of products to a greater amount than taxes and rents are reduced*, causes a larger portion of the products annually created to be distributed among those whose incomes are *directly* derived from taxes and from rents, than when taxation was greater and rents higher; inasmuch as fifty millions of money will

exchange for a much greater supply of products in the present day, than seventy millions would purchase in 1813.

In former days, when only good lands were cultivated, and prices were low, about one-third or fourth of the proceeds of their produce went to landlords in rent; but during the high prices only a fifth: whereas in the present day the aggregate of rent equals one-third of the gross proceeds of the products raised, including that grown on the inferior lands. Hence we see that a reduction of taxation, and a decrease in the amount of expenditure, have been productive of temporary benefits to landlords and annuitants, and to all classes whose incomes have been stationary; and that, in proportion as these classes have been benefited by a fall in the rate of wages, and in prices, the labouring classes and the trading community have been sufferers: inasmuch as, in proportion as the fall in prices, and the reduction in servants' and labourers' wages, enabled landlords and annuitants to increase their purchases of products, the reduction of wages and of profits obliged the working classes, and the producers and venders of products, to purchase and consume so much less.

THE PROCEEDS OF THE REVENUE NO RULE FOR ASCERTAINING THE STATE AND CONDITION OF THE PEOPLE.

The great demand for employment by the working classes having enabled farmers, merchants, manufacturers, and tradesmen to reduce the wages of their workmen to the lowest possible scale, has so diminished their ability to purchase food and clothing, as to have obliged them to subsist on food of an inferior quality; and the fall in prices occasioned by their reduction of purchase having enabled the other classes to increase their consumption of all description of foreign and taxable commodities, the revenue has not fallen off, nor can fall off, to any serious amount, while these classes retain their income, and continue their expenditure. Landlords, annuitants, and all who have a competency, consume about the same quantity of food, whether it be cheap or dear; but when food is dear, *they consume less of foreign productions.* With the labouring classes it is different; their consumption is not regulated by prices, but by the rate of wages. If wages increase, they consume *more food.* Their prosperity may, therefore, be generally ascertained by *the price of food.* When the price of food is high, the labouring classes are prosperous, unless such high prices be produced by a scarcity. But this theory has been already explained.

THE CURRENCY OF ENGLAND DURING THE SUSPENSION OF CASH PAYMENTS.

The currency, or money of England, during the suspension of cash payments, consisted of a few guineas, a small portion of silver, and of Bank of England paper, into which bills of exchange, country bank notes, and all other notes of credit, were convertible; and people generally believe, that such paper derived its value from the confidence the public had in the stability of the Bank and of the government. This, however, was not the case—its value, like the value of every thing else, was wholly and entirely regulated by the demand and supply, and by nothing else.

Had the Bank of England issued its paper without reference to the supply in the market and the demand for medium, it might have been as much depreciated in value as the assignats of France.

The supply of Bank of England notes emanates chiefly from the state; and as, during the war, the state increased its demand for *the return of the money it expended* into the Exchequer in taxes, and in loans, the supply was regulated by the demand; hence its money value was preserved; and as the supply and demand both emanated from the state, the sums expended returned to the Exchequer, four or five times within the

year, in payment of duties and in loans. By such a process, the state was enabled to make an expenditure of a hundred millions with about twenty-five millions of medium. Had the state increased *the amount* of medium in proportion as it increased its expenditure, its exchangeable value would have been reduced to a level with the value of the paper money of Colombia.

The state paid its servants, its contracts, and the interest of its debt, with a borrowed paper credit; and so much of this credit as did not return to the Exchequer in taxes, and was not required by the community for a circulating medium, was deposited, by those who acquired it, with bankers, by whom it was returned to the state in loans, the shares in which were resold to the parties by whom such savings and deposits were made. By such a process the expenditure of the state enabled the community to realize money capitals.

When the amount of savings and deposits in private banks has not been sufficient to supply the wants of the state and the demand of the public, the former obtained advances from the Bank of England on Exchequer bills, and the latter on private bills of *a short date;* and as such advances were made on the condition that the sums advanced should be returned with interest *within a specified time*, the demand continued to increase in proportion as the supply increased: inasmuch as

what the state borrowed and expended, it received back from the community in taxes and in loans, and what the merchants obtained on their bills, and expended in the purchase of the labour employed in creating and obtaining products, they received back in exchange for their products, which enabled them to redeem the bills on which the advances were made.

Although, during the suspension of cash payments, the Bank of England advanced its paper on good bills of a short date, at a fixed rate of interest, it had scarcely any demand for discounts *from the trading community* during the war, by reason that merchants do not apply to the Bank of England for advances when they can have their bills discounted at private banks, and bankers do not require advances when their deposits are sufficient to meet the demand of their customers for medium.

When the state reduced its demand for, and expenditure of money, and employed fewer labourers, and purchased a less quantity of products, there was so much less medium expended, so much less acquired as profits, and so much less labour and products purchased. Hence there was so much reduction of expenditure and of demand for the services of the people, and for the products they created, at the very time when the supply of labourers and of products had considerably increased. A fall, therefore, in the rate of

wages and in prices was the inevitable result; and it could not be otherwise. And as rents, taxes, profits, and wages, are all derived from money received in payment for products, it necessarily followed that, in proportion as the expenditure in the purchase of products was reduced, the aggregate of incomes derived from such source must have been diminished.

Sir John Sinclair,* Sir James Graham,† Mr. Western,‡ and other writers on the currency, contend that the fall in prices, on the return of peace, was occasioned by the "Bank of England and country bankers having *contracted their issues, with a view to prepare for cash payments;*" and they ground their opinion upon the undeniable fact, that there has been a diminution in the amount of medium issued. On the other hand, Mr. Tooke§ clearly proves, that bankers did not *voluntarily* contract their issues, but continued to discount bills, and to advance their money and credit, at the *same rate of interest,* and on the same description of securities, on which they had been accustomed to make advances during the war; and that the Bank of England took no other measures for preparing for cash payments than that of purchasing with its paper the gold and silver imported by our merchants and money dealers, in exchange for

* See Sir John's Pamphlet on the Currency.

† See Sir James's Work on Corn and Currency.

‡ See his Letters in the public papers.

§ See Mr. Tooke's Letter to Lord Grenville.

bills on other nations in payment for British goods exported; which gold and silver the importers would not have sold to the bank for its paper, had the pound note been, as the reviewer states it to have been, of no more value than "fourteen shillings."*

All paper money *is credit*, which bankers lend to the public at interest, in like manner as landlords hire their lands and houses. When landlords cannot find good tenants, they take the management of their lands into their own hands; and when houses will not let, they remain unoccupied. It is the same with respect to money and credit. Bankers derive their profits from borrowing and lending; and their incomes are in proportion to the amount of money and credit they advance in loans; they, therefore, could have had no interest in contracting their issues while they possessed the means of obtaining on demand medium to any amount *on their securities.* Bankers, like the vendors or owners of other commodities, may refuse to borrow or lend; but it was not their interest to do so: and they, like the other classes of society, may be supposed to have studied their own interest. They, however, cannot force people to borrow, nor will people borrow either money or credit if they do not require it for the purpose of expending it. The fact is, the amount

* See the Quarterly Review for May.

of paper issued by bankers previous to the unfortunate panic in 1825 and 1826, was wholly and entirely regulated by the demand, which increased and decreased in proportion as more or less labour and commodities were purchased, and, also, in proportion as the rate of wages and prices advanced or fell.

Had the Bank of England voluntarily contracted its issues with a view to prepare for cash payments, a scarcity of medium would have been produced, the rate of interest would have advanced, and the funds must have fallen; instead of which, from the close of the war until the panic, it was *in greater abundance*, and could be obtained from private bankers, and from individuals, at a *lower rate of interest* than at any period during the war; and bankers were unable to get relieved of their deposits, although, *until the unfortunate panic*, they made advances on all kinds of securities, and reduced the rate of discount.

Mr. Tooke, in his letter to Lord Grenville, very correctly states, that "When considerable public loans were negotiated, or when Exchequer bills to a larger amount than usual were issued in the money market, the immediate effect was to create a temporary absorption of floating capital, and, consequently, to occasion a temporary rise in the rate of interest: this would naturally be followed by an increased application for discount at the Bank. But in the intervals of loans, or

when Exchequer bills were in less amount than usual, either by government not issuing so many, or by the Bank's taking a larger proportion of them off the money market, that is, making advances upon them, there would be diminished applications for discount."

Here we see the effects of a large government expenditure. When the state borrowed the deposits of savings made by the community, and re-expended them in the purchase of their services and commodities, the deposits in the tills of bankers became scarce, and merchants were obliged to apply to the Bank of England for discount; hence the expenditure of the state caused an increase of sale of labour and products; and a corresponding increase in the demand for and in the supply of medium; and when the state reduced its expenditure, the sale of labour and of products, the rate of wages, the amount of profits, prices, and the demand for and the supply of medium, were so much diminished.

PRIVATE BANKS.

The trade of banking consists in borrowing and lending. Bankers borrow the savings made by one class of the community, and lend them to another. The money deposited by one man is

lent on interest by the banker to another: it is again deposited by a third, and re-issued to a fourth, and so on, until the debtor and creditor account of the banker exceeds perhaps ten times the amount of his capital. By such a process, bankers are enabled to afford facilities to the different classes of the community to exchange their labour and products, and to hire their property to each other, and to realize money capitals. Bankers are, therefore, the medium through which landlords, merchants, annuitants, tradesmen, and others, are made to lend alternately to each other the money they severally derive from rents, profits, interest, annuities, and from the sale of products which they do not require for immediate use; and by such process money is made to multiply income to many times its amount, and the banker becomes the general creditor and the general debtor.

As the amount of deposits of gold, silver, and Bank of England paper, with country bankers, is not sufficient to enable them to supply the country demand for medium, they issue their own notes, as substitutes for the coin of the realm, into which they are convertible on demand. Country bankers, therefore, besides lending their deposits, advance their credit in loans to their customers; and, by so doing, they have been more instrumental in promoting the prosperity of their country than, perhaps, any other class of

society. It is the same in America; the people of the United States are chiefly indebted for their prosperity to the facilities afforded them by their numerous banks of obtaining a paper credit—it being by the expenditure and circulation of such credit that the whole internal trade of America is carried on.

People who borrow and expend country notes, transfer their little debts from themselves to the banker; who thus becomes responsible for their amount.

Country bankers, by the loan of their credit, enable speculators to employ the working classes in building houses, in cutting canals, in establishing manufactories, in making roads, in cultivating waste lands, and in creating sundry new capitals; and the money and credit expended become alternately the property of millions, who, but for the expenditure of such credit, would acquire and expend so much the less; while the parties who engage in such speculations, obtain in return new capitals, from which, rents, tolls, and incomes, are derived, occasioning an annual expenditure, that preserves a corresponding perpetual demand for labour and products.

A farmer, by borrowing a paper credit, is enabled to cultivate land that was before waste; with this credit he pays the wages of his workmen, and purchases his manure and seed corn; and the credit so borrowed and expended, circu-

lates among tradesmen and labourers, and thereby creates an ability in them to purchase *part* of the produce raised; while the farmer, by receiving it back in exchange for such produce, is enabled to return it to the bank from whence it was borrowed. If he obtain in exchange for his produce more than he expended in raising it, he is a gainer,—if less, he is a loser; but under any circumstances the public are gainers, inasmuch as so much more labour is purchased, so many more commodities are raised, and so many more are distributed among, and consumed by, the labouring population.

A builder borrows a paper credit to enable him to keep his workmen in employ, which credit he expends in the purchase of materials for building a house, and in payment of wages to the labourers employed in building it. This credit, so borrowed and expended, becomes, in its several stages of circulation, alternately the property of the labourer, the shopkeeper, the victualler, the grazier, the miller, the farmer, the landlord, the state, the annuitants, and, in short, of every class of society, until it returns to the builder, in the purchase of the house which the loan of it enabled him to employ the labouring population in building. By means of such credit, therefore, an ability is given to the labouring classes to purchase food and clothing, and other necessaries,

and new capitals are created, from whence permanent annual incomes and expenditure emanate.

It will be observed, that the sale of the house when built does not cause any increase of expenditure ; such sale being merely an exchange of one species of capital for another. It is the same with respect to the sale of estates, public securities, and other capitals, from whence rents, tolls, or interest, are derived. The medium with which such sales are effected, is merely transferred from one bank to another, and does not cause an increase in the aggregate of expenditure in the purchase of labour and products, except the sums paid for the labour and materials employed in effecting such exchanges. Such sales, therefore, do not cause any rise or fall in wages, or in the prices of *consumable* articles.

The landlord who pays his tradesmen's bills with checks on his banker, merely returns to them, in payment for their goods, the medium they had previously expended in wages to the labourers employed in creating them, which, being re-expended, either directly or indirectly, in the purchase of food, was acquired by the landlord as rent. Hence the expenditure *of medium* occasionally emanates from the trading community, but the demand for the goods, which gives birth to such expenditure, emanates from the landlord. Thus we see, that the expenditure of one class gives incomes to others, which, *if re-*

expended, gives a return of income to the parties from whence it emanates.

As, perhaps, this theory may be considered as opposed to the theory that "the state is the source from whence money and expenditure has emanated," it may be proper to observe, that country bank notes are not money; and that, although the expenditure of such notes is equally beneficial to the community as the expenditure of money, a demand would not have been created for them, and they would not have been expended, had not the large war expenditure of the state forced up prices and rents, and thereby created a demand for the goods of tradesmen, to whom, during the war, bankers would not have advanced their notes of credit, *had they been convertible into gold on demand.*

Any increase in the aggregate amount of money and credit expended in the purchase *of labour*, let it emanate from whence, and from whom it may, must create an increase of income and of wealth; and a corresponding increase in the aggregate of the sum paid for consumable commodities, equal to its amount, even, although the parties who may advance such credit, and those who may borrow and expend it, may be losers.

Bills drawn in the country on the public departments, or on London, are received by country bankers in exchange for their notes; and the annuitants residing in the country generally,

receive their dividends, through bankers, in the same species of money; and such bills, together with the deposits of gold and Bank of England paper, made with the banker, over and above what he requires to answer any probable demand, are remitted to his London agents, who obtain from the parties on whom the bills are drawn, Bank of England paper in exchange; part of which, and part of what they receive as a remittance, and as dividends on account of annuitants, they exchange for public securities, and the surplus they reserve as deposits on account of the country banker. Such deposits, so acquired, enable country bankers to advance their paper money to a sum equal to three times their amount; and they also enable the London bankers to make advances to merchants, tradesmen, manufacturers, builders, and others, who thereby acquire the means of employing the labouring classes, in creating articles, to supply their own wants, and the wants of landlords, annuitants, and others; while the expenditure of such money, in the purchase of food and clothing, and of exciseable commodities, creates the ability in landlords, and in those who acquire it, to purchase the articles so created.

When tradesmen in the country have payments to make in London, they return the country notes received in payment of their goods to the bank that issued them, from which they ob-

tain an order on its London agents for Bank of England paper, which order is paid by them with the money obtained from the Exchequer, in payment of the bills drawn on the public departments, and also with what they obtain from the Bank of England, on account of annuitants residing in the country. When the tax gatherer has a remittance to make to the Exchequer, he, in like manner, returns to the bankers the notes he receives in payment of duties, and obtains a bill on their London agents for the amount. By such a process, therefore, the money issued from the Exchequer in wages and salaries to the servants of the crown, and that issued by the Bank of England in payment of the public creditor, is made to pay for the articles supplied the country from London, and returns into the Exchequer in payment of duties on the commodities consumed by the people, which its expenditure enables them to purchase. It is by such a process that the expenditure of the state is made to multiply income to many times the amount of the money or credit with which it is made.

Suppose in a small town there be annuitants, having an annual income of a £1000 a year; that corn, and other staple commodities, be annually exported to London to the value of a £1000, that the income of the annuitants and the proceeds of the commodities exported, be deposited in a London bank, and be appropriated to the discharge

of bills drawn in payment of goods annually supplied to such town from London. In this case, the inhabitants will import from London goods to double the amount of the articles exported; which, by means of a country bank paper that will circulate from the one to the other, in exchange for their labour and products, they will acquire the ability to purchase. But if there be no goods exported, nor any annuitants residing amongst them, nor any bank, they will have no circulating property, and, therefore, cannot purchase goods from London, nor from any other place. Now this is precisely the condition which many of the Irish people were in a few years back. In many parts of Ireland, a few years since, there was no such thing as money: and the rents of the unfortunate and wretched inhabitants were paid in produce, of which they were themselves in want.

No efforts of *private* bankers can enable them to *keep in circulation* paper credit to a greater amount than the public reauire for a circulating medium; inasmuch as people do not hoard paper money; and if they did, no evil could result therefrom. When people acquire medium to a greater amount than they want for immediate use, they deposit the surplus in the bank, or exchange it for some security or property from whence interest or profits are derived. And the value of all *country* paper credit must be regulated

by the value of the coin of the realm into which all such credit is convertible.

It has thus been proved that it is the expenditure of the state that creates the demand for, and supplies the community with Bank of England paper, which enables the London bankers to make advances to the trading community; and country bankers to lend their credit to farmers, merchants, tradesmen, and manufacturers; and that it is from such expenditure combined with the expenditure of money and credit so advanced, that products are purchased from the proceeds of which taxes, rents, profits, wages, and the interest of money lent are derived. The state is, therefore, the *source* from whence all money incomes emanate, and hence it is we find, that whenever the dividends are paid, money is said to be in abundance; and that whenever they are nearly due, it generally becomes scarce; and hence also it is, that since the invention of paper money, the incomes of the community have always increased and decreased in proportion as the state has increased or decreased its expenditure.

To relieve the distresses of the trading community, and the labouring classes; to enable all classes to increase their purchases of home and foreign articles, and, in short, to enable every man to obtain good rents and interest from the hire of his property, and a fair remuneration for

his skill—his talents—his professional services—his labour, and for the several commodities he creates and vends, the aggregate amount of money and credit *expended in the purchase of labour* must be augmented; and whether such augmentation of *expenditure* be made with gold, silver, or Bank of England paper, or whether it be made with country bank notes, so that it be made, can be a matter of no importance; but it is of the first importance, that the medium with which it be made be returned to the state, either in taxes or in loans; inasmuch, as it is the *re-expenditure* of such medium that preserves to the community a renewal of supply, and a renewal of demand for labour and products; which produces also a renewal of income, and a renewal of expenditure. It being, as has been already proved, *the issue of medium from the Exchequer to the servants of the state, and from the bank in payment of the public creditor, that furnishes bankers with* the means of *advancing their credit to the community at large.* Such medium is, therefore, the *floating money capital of the nation*, into which all notes of credit and bills of exchange, and all other securities, are convertible.

It has been already shewn that the exchangeable value of money, like the value of everything else, is regulated by the demand and supply; and that during the suspension of cash payments the

demand and the supply both emanated from the state.

To give a permanent value to money, let it be composed of what it may, the supply should be regulated by the demand; and this object can only be attained by advancing it on good securities, at a fixed rate of interest, and by creating a demand for the sums expended to be returned to the parties from whence it emanates; and when these objects are not attained, it must be continually fluctuating, in exchangeable value, and in money value.

If a mine were discovered, from whence gold could be obtained in as great abundance as coal, and the state, instead of imposing taxes on the community, were to extract the gold, and convert it into coin, and pay off the national debt, the exchangeable value of gold would be less than the exchangeable value of coal, and there would be no circulating property.

All *money is credit.* The state issues a paper credit in payment of its creditors and its servants, which it requires back from its people in taxes: a banker issues a paper credit, on the condition that the borrower returns it within a specified time, in the coin of the realm, of a corresponding value; and the banker undertakes to exchange the credit he lends for such coin, if required. By such a process, therefore, a demand is created for the credit expended by the state, and lent by the

banker. The public are required to procure a sufficiency of the coin of the realm to enable them to pay their taxes; and the borrower of the banker's credit is also obliged to acquire, in exchange for his labour or his products, a sufficiency to enable him to fulfil his contract with the banker; while the latter is obliged to acquire, in loans from others, or in exchange for his property, a sufficiency of the king's coin to enable him to meet any demands for it, to give in exchange for the credit he lends, and in payment of the deposits made with him.

Were the state to coin a paper money, and to expend more than it receives back in taxes and in loans, its value would soon be depreciated to a level with the assignats of France, and the paper money of Colombia.

Whatever money or credit the state expends, should be annually returned to it in taxes—what landlords expend should be returned to them in rents—what farmers expend should be returned to them in payment for their produce—what annuitants expend should be returned to them as interest—what merchants, manufacturers, builders, and tradesmen expend, should be returned to them in payment of their products, and in profits—what professional men expend should be returned to them in payment for their services—what bankers expend should be returned to them as interest on the credit they lend, and what

labourers expend should be returned to them in wages, and the aggregate of expenditure should be increased in proportion as population increases; and whether such an increase of expenditure emanate from the state, from landlords, or from the trading community, can be a matter of no importance, provided the medium with which it be made, be *kept in constant circulation,* and there be a demand created for its return *to the parties from whence it may have emanated.*

THE CURRENCY OF ENGLAND SINCE THE RESUMPTION OF CASH PAYMENTS.

Since the resumption of cash payments, the money of England consists of gold only—all paper money being now merely notes of credit, that are convertible into gold on demand. The Bank of England, therefore, now regulates, or, if it follows the old rule of banking, it ought to regulate its issues of paper by its ability to meet any probable demands for specie; and the directors ought to have, in their coffers, gold equal to one-third of the amount of paper they issue. Their ability, therefore, to make advances to the state, and to discount bills, is now limited to treble the amount of gold they possess; which amount is regulated by the imports and exports.

If the bank have gold to the value of nine millions, it may issue twenty-seven millions of paper; but if gold, to the value of five millions, be exported, or withdrawn from it, the directors must either contract their issues, or purchase gold by the sale of their securities, in other nations, at a great loss. If they contract their issues, a scarcity of medium is created; the funds fall; private bankers sustain losses that cause numerous failures; expenditure is reduced--prices are depressed—and the whole trading community is involved in difficulties, and the labouring classes are deprived of employment. On the other hand, if the bank re-import the gold, it must do so by selling its securities in foreign markets, at a loss equal to the rate of discount, and the cost of importing the gold in exchange.

Country bankers regulate their issues by their amount of deposits of gold and Bank of England paper. If they have three millions of gold, and six millions of Bank of England notes, they may make advances to the amount of twenty-seven millions. A supply, therefore, of ten millions of gold, seven of which may be deposited in the Bank of England, and three millions in country banks, enables bankers to supply the community with their paper credit to the amount of forty-eight millions; all of which, by the present laws, they are required to convert into gold, *on demand;* although their supply of this metal may not

exceed eight or ten millions, and all the gold in the country may not amount to twenty millions.

This liability to be called upon to pay their notes in gold on demand, renders it necessary for bankers to regulate their issues by *the rate of exchanges* with other nations; and to withhold advances on any other securities than what are convertible into Bank of England paper, or into foreign bonds, that are convertible into gold in other nations. Hence we find, that since the panic of 1825 and 1826, when the imports of the precious metals have exceeded the exports, banks have been liberal in their advances; and that when the amount of the exports have exceeded the imports, they have contracted their issues, and the circulating property has accumulated, in deposits, in their coffers.

Here we see that the ability of bankers to supply the trading community with medium, on the kind of securities they were accustomed to advance it during the war, no longer exists. While cash payments were suspended, bankers, who were careful in not advancing their deposits or credit, excepting on good securities, were always safe, by reason that money, to any amount, might then be obtained from the Bank of England, on good bills of a short date; consequently, bankers that were solvent, experienced no difficulty in obtaining a supply of medium,

sufficient to meet the demands made on them. At that period, therefore, the only consequences that resulted from runs on banks that had a sufficiency of capital, was that of causing a temporary increase of supply of Bank of England notes; from which the money market was subsequently relieved, by the sale of Exchequer bills, or by loans to the state, which loans enabled the Chancellor of the Exchequer to return to the bank part of the paper credit it had advanced to the government.

Since the resumption of cash payments, the ability of bankers to convert their securities into a sufficient supply of the coin of the realm, to answer the demands that may be made on them, is dependant on circumstances which they cannot control.

Bankers, merchants, tradesmen, farmers, and, in short, every class of the community, are now liable to be called upon to pay their notes of credit, bills, taxes, and rents, in gold; while their ability to obtain it is dependant on the Bank of England, and its ability to supply it is dependant on the quantity imported and exported. Should, therefore, gold be exported to any considerable amount, or should the community be seized with another panic, accompanied by a desire to realize or hoard gold, the Bank of England, instead of advancing it, or its own paper, on the kind of securities it was accustomed to make advances

during the war, must either suspend its payments, or send its own securities into the market, and dispose of them for its own paper, at a considerable loss—until, by such a process, such a scarcity of money shall be created as to occasion a fall in the funds, that may induce the holders of foreign stock to dispose of it in France and Holland, and import the gold they may receive in exchange. But should the bank have again recourse to such a measure, a repetition of the evils of 1825 and 1826 must inevitably ensue.

All the gold in the country is not sufficient to furnish every individual with a sovereign each: while the aggregate of debts, which the community is liable to be called upon to pay in gold on demand, must amount to several hundred millions. Were, therefore, the creditors to demand payment in specie, every banker, merchant, manufacturer, farmer, and tradesman, however wealthy he may be, might be involved in bankruptcy.

Sir John Sinclair, Sir James Graham, Mr. Western, and numerous other writers on the currency, impute all the evils and distresses the country has experienced since the peace, to the measures adopted by the Bank of England for resuming cash payments, and to "the change in the currency produced by Mr. Peel's Act," which Sir John asserts was "*the greatest robbery recorded in history.*" Sir John, however, has not well

considered the subject; and, like other writers on political economy, he has detailed facts, and advanced arguments, that rebut the theories and the fallacious reasoning contained in other parts of his work.

Mr. Western asserts, that "In the history of the world, there cannot be found such a RAISING OF THE VALUE OF MONEY as was accomplished by Peel's Bill—nor any in which, from the immense extent of our money engagements, (had such attempts ever been made), the consequences could have been half so destructive."*

That Mr. Peel's Act has, *through the operations of stock jobbers,* been productive of evils, is indisputable; but that the low prices and the distresses of the country, PREVIOUS *to the panic of* 1825, can in any degree be imputable to that act, or to any preparation made by the Bank of England to resume cash payments, is disproved by the fact, that, up to that period, bankers advanced their deposits and their credit on all kinds of securities, and at a reduced rate of interest.

In reference to the large importation of the precious metals, Sir John observes that, "Instead of absorbing the treasures of the continent, for

* See Mr. Western's Letter to the gentry, clergy, freeholders, and inhabitants of the county of Essex, as published in the Morning Herald, of the 23rd of December last.

the purpose of obtaining a metallic currency at home, we ought to re-establish a paper circulation, (which there is no difficulty in effecting, with perfect security to the public), and we might then send the greater portion of the gold and silver we have amassed to foreign countries, in return for their goods. Enriched by that *accession to their means of circulation*, those powers would be enabled to give us higher prices for our commodities."

"Our anxiety to establish a metallic currency, has been attended with other mischievous consequences in every other nation of Europe. It has reduced the price of their commodities to the most ruinous extent. Whereas, were we to say to foreign nations, we do not want your gold and silver, the want of which would be injurious to you,—we can do without them, and are ready to take your goods in exchange for our own; would not this enable us to command the commerce of every nation with whom we may wish to trade?"

These observations are good: and it is undoubtedly true, as stated by Sir John, that "the restrictive tariffs, which America and other nations have had recourse to, originated in a desire, on the part of their rulers, to check the exportation of their metallic wealth." But Sir John is in error in supposing that the accumulation of this species of wealth in England was, in any degree,

occasioned by any measures adopted by the Bank of England *subsequent to the panic;* or that the value of the currency was changed by Mr. Peel's Act. The Bank did not import the gold, neither did it take any measures to increase the imports of the precious metals, until the year 1825. The Bank possesses nothing that it can export to other nations in exchange for gold but paper money, or *paper securities* of one kind or other. *Its capital consists of debts due to it from others*—its ability, therefore, to purchase gold, is only in proportion to the quantity of gold *its securities will exchange for.* If the Bank buy gold in France with a bill drawn on England, such bill derives its value in France, from the demand for it in that country, to exchange for a something in England that the venders of the gold require in exchange. The people of other nations do not purchase bills on England with their gold, for the purpose of re-exchanging them in England for the *same commodity,* unless *they can import a larger portion in return.* The Bank could not purchase gold in France, nor in any other country, *if the people in other countries did not require a something from England in exchange for it;* hence, *if the bank did* import gold, it only imported that, which would have found its way to England in exchange for the property it was remitted in exchange for, whether the bank had imported it or not. Whether, therefore, gold be imported

by the Bank,—by Messrs. Rothschild,—by merchants,—or by parties making purchases in England, it amounts to precisely the same thing. If it be imported by the Bank, or by money-dealers, the parties from whom it is obtained, send the bills they receive in exchange for it to England, in the purchase of the property they require instead of their gold. This is the only difference—the gold is bartered in exchange for some other property; and whether it be brought to England by the Bank, by Messrs. Rothschild, or by the parties who purchase such property, is a matter of no importance. If foreign nations did not require a something from England in exchange for their gold, or for the commodities they possess, bills on England, given in payment for gold, or for other foreign productions, would be so much waste paper.

An increase in the supply of the precious metals may be produced by any of the following causes:—

By an increase of sale of British commodities in foreign nations.

By a reduction in the consumption of foreign articles in England.

By a fall in the price of foreign articles in the foreign market.

By an increase of sale of British or foreign securities in foreign nations, owned by persons residing in England, to whom the proceeds are remitted.

By a reduction in the aggregate amount of bills drawn on England by her absentees.

By a repayment of debts due to British subjects, or to persons residing in England, from foreign states or people; and also,

By an increase in the amount of remittances made by British merchants residing abroad.

An increase in the exportation of the precious metals may be occasioned by any of the following causes: —

By a decrease in the sale, or by a fall in the price of, British commodities in foreign markets.

By an increase of supply, or by an advance in the price, of foreign articles.

By foreign states discontinuing their payments of the interest of debts due to persons residing in England.

By loans made to foreign states.

By the sale of British or foreign securities in England owned by persons residing in other nations, to whom the proceeds are remitted.

By an increase in the amount of bills drawn on England by her absentees.

By the emigration of persons, with their property, to other nations; and,

By a decrease in the amount of remittances made by British merchants residing abroad.

When British or foreign securities advance *in England, or fall in France and Holland,* money dealers sell their securities in England, and con-

vert the proceeds into gold, which they export to France and Holland, and reinvest it in the purchase of securities sold in those countries; and *vice versâ*. Hence a rise in the funds causes gold to be exported, and a fall in the funds brings it back. Now a rise in the funds *must be occasioned by an excess of issue of* BANK OF ENGLAND PAPER *beyond the demand*; and a reduction in the demand for such paper must be occasioned by a diminished expenditure in the purchase of labour.

A scarcity of money may be produced by any of the following causes:—

By the Bank of England contracting its issues, and withdrawing its notes from circulation, by the sale of exchequer bills and other securities.

By a panic, that may induce the public to withdraw their deposits from bankers.

By a contraction in the issue of country bank notes.

By the exportation of gold.

By the apprehension of war, which may induce people to keep large deposits in banks, and deter bankers from investing them in the purchase of stock, through the fear of a fall.

By an increase of trade, which may cause the deposits made with bankers to be withdrawn from them, and expended in the purchase of labour.

Here we see, that a scarcity of money, and a fall in the funds, may be produced by very different, and even opposite causes. When a fall

in the funds is produced by any of the five first causes, the rate of wages and prices fall, and the whole trading community is involved in losses, and the labouring classes in distress; but when a slight fall in the funds is produced by the latter cause,*—viz., by an increase of demand for medium, occasioned by an increase of expenditure in the purchase of labour,—the rate of wages and prices rise, profits increase, and all classes are prosperous.

The only means the Bank of England has of increasing its supply of gold, and of checking the exportation of it, without a considerable loss to itself, is, by contracting its issues, and selling its exchequer bills, until such a scarcity of medium shall be created as to occasion a fall in the funds, that may induce the great money capitalists to dispose of their foreign bonds and other securities in France and Holland, and import gold in exchange. But the Bank cannot have recourse to such a measure, without causing such a scarcity of money, and so considerable a fall in the funds, as to involve the whole trading community in losses, and many bankers and merchants in ruin.

If, therefore, the Bank of England had, previous to the suspension of cash payments, contracted its issues with a view to obtain gold by such means, the funds must have fallen, and a scarcity of money would have ensued; instead of

* This subject will be more clearly explained as we proceed.

which, from the conclusion of the war *up to the period of the panic*, the funds continued to advance, and the supply of medium deposited in banks continued to increase.

The large importations of the precious metals on the return of peace were occasioned by the following causes :—

By the fall in the prices of foreign *consumable* commodities in foreign markets; by the reduction in the supply of such commodities; and in the charge for importing them.

By the prohibition of foreign corn into British ports.

By the annual remittances to England of the interest of the money advanced in loans to other states.

By the large demand for British goods in the several States of South America, in payment of which, gold and silver to a considerable amount have been annually remitted. And,

By the payment of debts due from the French government to England and her people.

Sir John Sinclair makes the following quotation from a memorial of the Russian Government, dated March 23rd, 1822 :—

" 'Agriculture, without a market ;—industry, languished and declined, *for its specie was exported.*' " " If," observes Sir John, " our commerce with Russia had been conducted without any wish of extracting its metallic wealth, in exchange for

our manufactures, a more advantageous commerce would have been carried on with that extensive empire."

Now, neither the merchants nor manufacturers of England, nor the Bank directors, could have had any wish for the "metallic wealth of Russia," nor for the silver of America. All our merchants required was, remunerating profits on the goods they exported and imported. Could they have obtained, in the English market, remunerating prices on the productions of Russia and America they would not have imported gold or silver; but there was no demand for an increase of such productions, *excepting for corn,* and *that* the people of England were prohibited from purchasing. It was, therefore, the reduction of expenditure on the part of the state, and the unfortunate corn laws, for which Sir John was an advocate, that caused other nations to be "drained of their metallic wealth," which Sir John terms "the *vital source of their productive capabilities and commercial prosperity.*"

Had the merchants of England been permitted to have imported foreign corn, "the complaints," which Sir John says, "every country we deal with make against us, of having drained them of their specie," would never have been heard of. Had the people of England been permitted to have imported corn from America and Russia, silver would not have been imported from the

one nation, nor gold from the other; inasmuch as merchants never import specie in exchange for their goods, when they can obtain a greater profit on other articles. Had, therefore, the trade in corn been free, the "restrictive tariffs," of which Sir John complains, would never have been proposed.

Had there been no corn laws, expenditure would have increased; the poor would have found employment; prices would have risen, and all classes been prosperous. The several nations of Europe might have retained their metallic wealth, and have increased their supply; and England must, from necessity, have adhered to a paper currency, inasmuch as, had the trade in corn been free, the Bank of England could never have acquired the means of resuming cash payments, as the following facts may contribute to prove.

Sir John states, that in *two* successive years during the war, when the population of England was one third less than at present, England paid "twenty millions sterling to foreigners for foreign grain;" and it appears by Dr. Colquhoun, and other authorities, that during the last fourteen years of the war England paid upwards of fifty-six millions for foreign corn. These facts, therefore, prove that, had England imported corn in the same proportion since the peace, all the gold and silver now in England would not have paid for it; hence it follows that had there been no

corn laws, the complaints which Sir John states that "America and all the nations of Europe make against us, of having drained them of their specie," could never have been made, and the Bank of England would not have returned to cash payments.

In times of scarcity, when England requires foreign corn, and also in times of prosperity, when trade is brisk, and the great mass of the community, the labouring classes, possess the ability to increase their purchases of consumable commodities, the amount of the precious metals exported exceeds the amount imported; but when the seasons are abundant, and the great bulk of the people have a reduced demand for their labour and products, the demand for, and the supply of, foreign articles are diminished. At such times, therefore, gold and silver are imported.

When the labouring classes are in full employ, a large expenditure of paper money is made in the payment of wages, which, in its various stages of circulation, purchases products and labour to more than ten times its amount. Such an increase of purchase causes the demand to increase, and prices to rise—which leads to an increase of orders for, and supply of, foreign consumable commodities, in payment for which gold and silver is exported. It is in this way that large issues of paper money expended *in the purchase of labour* so operates as to force gold abroad, it being exported in

exchange for foreign consumable commodities, which the expenditure of such money creates an ability in the people to buy.

While bankers are liable to be called upon to pay their deposits and their paper in gold, they cannot in safety accommodate the public with advances when specie is leaving the country. The trading community are, therefore, at such times involved in losses and difficulties: and their inability to obtain a medium from bankers, sufficient to supply their wants, obliges them to curtail their expenditure, and to discharge many of their workmen, and lower the rate of wages; and many are obliged to dispose of their commodities at prices below the cost of production, to enable them to meet the exigencies of the moment. A great reduction in the aggregate of expenditure is by such means produced, which, by diminishing the consumption and the demand for foreign consumable articles, brings back the exchanges in favour of England, and causes an accumulation of deposits in the coffers of banks, which, by producing a rise in the funds, reduces the rate of interest, and thereby lessens the income and expenditure of those who derive their incomes from money lent.

Here we see the causes of the fluctuations in the rate of exchanges and in prices, and also the cause of the alternate periods of prosperity and distress, which the trading community has ex-

perienced since the resumption of cash payments. Here we also see, that although the fall in prices previous to the resumption of cash payments, was not occasioned by any preparation made by the Bank to prepare for such a measure, and that, although the money value of the currency has been depreciated since Mr. Peel's act has been in force,—yet, nevertheless, the return to a metallic currency has been productive of evils and distresses, which neither Mr. Peel nor any other person appears to have contemplated; and that while such a currency exists, the nation never can be prosperous.

While England has a currency that is convertible into gold on demand, the property of the trading community can never be safe; inasmuch as, while such a currency exists, we must experience alternate periods of prosperity and adversity. It cannot be otherwise.

The well being of the community require that all classes should possess the ability to obtain, in exchange for their labour and industry, and by the letting of their property, a sufficiency of the necessaries of life to support their families in comfort; and were such an object attained, the demand for products of all kinds, and especially for food, must be so increased, as to cause prices to advance, and occasion large importations of foreign corn and other articles, to pay for which, gold will be exported to an amount that must

oblige bankers to contract their issues, and so reduce the amount of medium, as to cause one year of prosperity to be followed by many of adversity.

In considering this most important branch of political economy, we should constantly bear in mind the following facts:—

First. That, in consequence of the competition of other nations in manufacturing the kind of goods that England formerly almost monopolized the sale of, our manufacturers cannot make, and our merchants cannot export, and exchange such goods with the people of other countries *for gold*, and bring the latter to England, and sell it at a profit at £3 17*s.* 10½*d.* the ounce, when the price of provisions and other necessaries, the rate of wages, and the charge for freight, are so much higher in England than in other nations; and that while the Bank of England are required to sell gold at that price, our merchants cannot obtain a higher price for that which they might import.

Secondly. That the cultivators of lands of inferior fertility cannot obtain a remunerating profit on their produce when prices are low; and that were such lands uncultivated, a large portion of agricultural labourers would be deprived of employment, and of the means of earning a sustenance for their families.

Thirdly. That the prices of labour, and the

charge for freights, cannot be lower than they are, unless the price of food and other necessaries are reduced.

Fourthly. That as prices are regulated by the demand and *supply*, and as the demand is regulated by the ability of the great mass of the people to buy, *prices cannot be kept down* when the labouring classes, who are the chief consumers, are in full employ, and well paid for their labour.

Fifthly. That when the demand for foreign consumable commodities is great, and prices good, merchants find it more to their interest to import such articles in exchange for British goods, than gold and silver; and that from this cause the amount of the precious metals imported, must be considerably less than the amount exported; that is, while foreigners can obtain it from banks in exchange for the bills drawn in their favour on England, in payment for their productions, at £3 17*s.* 10½*d.* the ounce.

Sixthly. That in proportion as other nations are drained of the precious metals, their people are deprived of a circulating property, and of the ability to continue to export *such metals,* in exchange for British goods.

Seventhly. That whenever there is a scarcity of the precious metals in other nations, foreign merchants derive a greater profit from importing gold from England in exchange for their products than British articles; that is, while they can

obtain that metal from the bank at £3 17*s.* 10½*d.* the ounce.

Eighthly. That while paper money is convertible into gold on demand, the exportation of that metal obliges bankers to contract their issues, and to withhold advances from the trading community.

Lastly. That when the trading community are unable to obtain advances from bankers, and when the amount of circulating medium is reduced, merchants, builders, manufacturers, and farmers, &c., are obliged to discharge many of their workmen,—to reduce the rate of wages, and lower their prices,—which, by causing a general reduction of expenditure and of income, involves all classes in difficulties, and many in ruin, and deprives a large portion of labourers of employment, and of the means of supporting their families.

England may be compared to a tradesman, whose store-houses are filled with all descriptions of products, excepting gold and silver, of which his supply is small. If he purchase the services and commodities of others, with notes of credit *payable in his own products,* he may increase his expenditure in proportion as he can increase his supply of products. But if he make his notes convertible into gold and silver, he, in such case, must regulate his expenditure by his supply of these metals; and his ability to replace that which

he may expend, will be dependant on what he can obtain from others in exchange for his products, or by loans. If he make his notes payable in commodities which he himself creates, he is the *first* purchaser, and by the expenditure of such notes, he creates an ability in the buyer to purchase his articles in return; but if his notes be convertible into gold, the seller of the gold is the first purchaser, and it is from him the vender of the notes derives his ability to exchange them for gold. If he issue notes of credit to a greater amount than he can obtain gold in exchange for his products, he will be unable to redeem them,—and although his store may be made up of products, he may become a bankrupt. Now this is precisely a case in point respecting England and her trade with foreign nations. If foreigners, owning British securities, should sell them in England, or should foreign nations discontinue their purchases of British goods, and the balance of the bills drawn on England in favour of other nations should, by such sales, or by such a reduction of demand for British goods, be made to exceed in amount the quantity of gold in the Bank of England, and the parties should demand gold in payment of the balance, as they may now do, the Bank of England must suspend its payments, and the nation would commit an act of bankruptcy. And should only a portion of the bills on England be paid in gold, and such gold be

exported, and banks, in consequence, contract their issues, as they necessarily must do, there will be so much less money expended in the purchase of labour and products; many of the working classes must, in consequence, be deprived of employment; the tradesmen of a market for their goods, and the rate of wages, profits, and prices, must fall, more especially should the quantity of products be increased. But if the bills drawn on England be only convertible into paper money, and if the British securities be sold for such money, such bills and such sales will cause a corresponding increase of demand for the deposits in banks, which will be issued in exchange for British articles of one kind or other, that must be exported in exchange, which will necessarily cause so much increase in the demand for labour to renew the supply; hence the money so issued and so expended, will go to the labourer in wages, to the shopkeeper for goods, to the farmer in payment of his produce, to the landlord in rent, to the state in revenue, and to the soldier and the sailor in wages; and thus circulate from the one to the other, until it is returned to the bank in exchange for the securities on which it was advanced.

ON THE FLUCTUATIONS IN THE VALUE OF MONEY CAPITAL.

It has been already shewn that the money value of money capital, is in proportion to the interest that can be obtained on it, and that its real and exchangeable value is in proportion to the quantity and quality of products such interest will purchase. Now the rate of interest is governed by the interest at which the Bank of England advances its paper and its gold to the public, except when the deposits in private banks exceed the demand for medium. When this occurs, money is advanced to the public, by private bankers, and by individuals, at a lower rate of interest than it can be obtained at from the bank, and the funds and all public securities rise.

An increase of deposits, a rise in the funds, and a corresponding fall in the rate of interest, may be produced by any of the following causes :—

By a general reduction of expenditure.

By the bank advancing its paper on Exchequer bills, and on other public securities, or in the purchase of the precious metals. And,

By the people generally keeping their savings and ready money in banks.

A deficiency of deposits, or, which is the same thing, a scarcity of money, and a corresponding

fall in the funds, and in the rate of interest, may be produced by any of the following causes :—

By a general increase of expenditure, which draws money into circulation, in the purchase of labour and products.

By panics, during which people hoard their gold, and withdraw their balances from bankers.

By the bank's selling its Exchequer bills, and other securities, for its paper and gold ; such purchases being made with money deposited in banks, which is, by such process, returned to the Bank of England.

By people keeping their ready money in their own possession, instead of depositing it in banks.

By the Bank contracting its issues, and advancing its rate of discount. And,

By large exportations of the precious metals.

When the discount on bills on England in other nations is sufficiently high to enable money dealers to import gold from England in exchange, they are sent to England by the parties who negotiate them, and are exchanged at private bankers for Bank of England paper, which is subsequently exchanged at the bank, for gold and silver that are exported in return. Hence a scarcity of medium is by such a process produced, which causes a fall in the funds, and in the rate of interest, and when the fall is great, numerous failures and losses are the consequences.

A scarcity of money, and a fall in the public securities, may also be produced, and generally are produced, by the speculations of the great money capitalists, who, while the Bank of England is required to pay its notes in gold on demand, may at any time cause a fall of twenty or thirty per cent. in the funds, and thereby involve all bankers in losses, and many in ruin; and the process by which they may accomplish this object is exceedingly simple. For instance—

Suppose money capitalists, that can command eight or ten millions, convert their property, *by degrees*, into Bank of England paper, depositing the greater part of it in private banks, or sell out, to be paid by the buyers at a distant day, until the whole is so converted;—that they then withdraw their balances from such banks—require payment from the buyers,—and exchange the proceeds with the Bank of England, for gold, which they export and deposit in France. Such exportations would excite alarm in the bank, and induce the directors to contract their issues, and to dispose of their Exchequer bills; and, by such a process, withdraw their notes from the coffers of private bankers, who, to replenish their tills, would be obliged to dispose of their securities, and to call on the country bankers for remittances. The funds would in consequence fall, and the country bankers be drained of their deposits; and should a run be made on them,

very many of them must fail, and such failures would occasion a yet greater fall in the funds, and produce a repetition of the evils of 1825-6. The speculators might now bring back the gold, and resell it to the Bank at a considerable profit; and, with the proceeds, repurchase the stock at 70 which they had sold at 95. By such operations, therefore, they might increase their wealth, and acquire what the other classes would lose; and by repeating such operation whenever the funds may be high, they, in a few years, might acquire nearly the whole of the national debt, which, in such case, instead of being a source of wealth to the nation, would be, in reality, a burden,—inasmuch as such capitalists do not, *like the little fundholders*, re-expend the interest they receive on their capital in the purchase of the services and products of the people.

A reduction in the aggregate of expenditure may be occasioned by any of the following causes: viz.—

By a reduction in the government establishments.

By reducing the interest of the public debt, which, by lessening the income, reduces the expenditure of annuitants.

By an increase in the number of absentees.

By a reduction of incomes derived from money advanced on mortgages, and on other securities.

By individuals hoarding their money, or spending less than their incomes. And,

By bankers withholding advances from the trading classes, or by their not requiring advances.

Bankers are cautious in making advances when gold is leaving the country; and when the Bank of England contracts its issues, through the fear that they may be unable to convert their securities into gold, or Bank of England paper, when their customers may call in their deposits; and the trading classes do not require advances when prices are so depressed as to offer no prospect of their obtaining remunerating profits by embarking their capitals in trade.

It has been already shown, that prices and profits are regulated by expenditure; and that when expenditure is increased, prices rise, and profits increase, and all classes are prosperous; and *vice versâ.*

An increase of expenditure in the purchase of products, and a rise in prices, may be produced by any of the following causes:—

By an increase in the government establishments.

By the community embarking in speculations that find employment for the working classes.

By the return of absentees. And,

By an increase in the foreign demand for British goods, or for the produce of our colonies.

The trading classes embark in speculations and

employ their capitals in trade, whenever remunerating profits can be obtained on the products they respectively raise, create, export, and import; but such profits cannot be acquired unless facilities be afforded them of occasionally obtaining money *on credit;* and bankers cannot, with safety to themselves, make such advances to any extent, while they are liable to be called upon to pay the balances of their customers in gold on demand, unless they could insure obtaining, *at all times*, medium from the Bank of England, *on the same terms as during the suspension of cash payments.*

It has been shown, that the large money incomes of the people of England have been derived from the large expenditure of a paper credit, that derived its value from the demand created for it to pay in taxes to the state,—to landlords in rent, —to labourers in wages,—as interest on money lent, and to repurchase the securities on which it was advanced. It has also been shown, that private bankers cannot keep *their* paper in circulation to a greater amount than is required to pay in wages, and to expend in the purchase of products; that when *such* paper is issued to a greater amount than the public require for such purposes, the surplus is returned (by those who acquire it) to the banks that issue it, in exchange for public securities; and that when it is so returned, it becomes so much waste paper. Hence country bank notes

do not, nor cannot, like Bank of England paper, accumulate as deposits of *medium* in banks. When people acquire Bank of England notes to a greater amount than is wanted for immediate use, such notes, like country notes, are deposited in banks, and are exchanged for public securities; but *they* do not, when *so deposited,* become waste paper unless they are returned to the Bank of England for gold, or in the purchase of Exchequer bills or other securities, or in redeeming the bills on which they are advanced. And as the chief part of the Bank of England paper in circulation has been issued on Exchequer bills, and on other government securities, it is optional with the directors whether they will sell them to the public for their paper or not. When, therefore, they will not dispose of such securities excepting at a considerable premium, private bankers have no other means of disposing of their surplus deposits of Bank of England notes at a profit, than by advancing them at a reduced interest to the community at large, and by purchasing securities, of one kind or other, from the public. But the aggregate of their deposits is not reduced by such purchases, inasmuch as purchases of stock and other securities, made by bankers of the public, merely causes the medium with which they are made to be transferred from one bank to another, and forces up the prices of securities, excepting

when the sellers dispose of the proceeds in the purchase of labour and products.

When bankers and money capitalists make large purchases of public securities, and the proceeds are redeposited by the sellers in private banks, all securities advance, and the rate of interest falls,—which, by diminishing the aggregate of income, lessens expenditure, and causes a depression of prices and profits, that deter people from embarking their capitals in trade, and induce many to emigrate to other countries, with a view to better their condition.

Were the servants of the state and the public creditors to reduce their expenditure one half, and exchange their savings for public securities, the funds would rise, and deposits of Bank of England paper would so accumulate with private bankers, as to induce them to endeavour to tempt the public to borrow, by advancing them, on good securities, at a reduced rate of interest, which would so much depreciate the value of money capitals.

Were the government to borrow credit or gold of the bank, and pay off a portion of the public debt, the money market would be overstocked, the funds would advance, the rate of interest and prices would fall, profits be diminished, all incomes be reduced, and the whole trading community be involved in distress; which would be aggravated by the operations of money

capitalists, who would sell out and export gold, until the funds be brought down to a price that might enable them to augment their wealth in the way already described.* But, if instead of reducing the interest and the incomes derived from the public debt, the state were to borrow money or credit, and expend it in employing a *portion* of the unemployed labouring population, it would pass from one to the other in exchange for the labour and products of all, until it multiplied income to many times its amount, and by the end of the year, it would all return to the Exchequer, in payment of the duties on the products which its expenditure would enable the different classes to purchase and consume.

The accumulation of Bank of England paper as deposits in banks, from whatever cause produced, occasions a rise in all public securities,—a corresponding fall in the rate of interest, and a reduction of expenditure, that depresses wages, prices, and profits,—forces gold abroad, and deprives the tradesmen of a sale for their goods, and the working classes of employment; but the *expenditure of* such money *in wages*, no matter by what process it is drawn into circulation, occasions a fall in the funds, and a rise in wages and prices, and a corresponding increase of demand for, and supply of products, and for the labour of

* See page 169.

the people employed in creating and obtaining them.

It is not *the amount* of medium issued from the Bank of England that regulates expenditure. Twenty millions of medium, in its various stages of circulation, may be made to purchase the services of as many labourers and as many products as forty millions; and prices, and the sale of wages, would be precisely the same, provided the twenty millions be exchanged and re-exchanged for labour and products double the number of times the forty millions is exchanged ; but in such case, there will be a scarcity of money at banks, and the rate of interest, and the value of money capital doubled ; although the exchangeable value of coin must be the same. For instance :

Suppose two persons, separated from the rest of the world, create articles of various kinds that the wants of each require ; that they have, between them, a hundred pounds sterling in gold and silver coin, which passes from the one to the other alternately in exchange for their respective products ; and that the whole, and no more, is acquired by each once in the year : in such case the products of each will sell for only a hundred a year, and two hundred a year will be the aggregate of their receipts. But if this money be acquired by each ten times in the year, the products of each will bring a thousand pounds, and two thousand pounds will be the aggregate

of income derived from their capitals and labour. Now if the quantity of products be the same as when they only exchanged for two hundred pounds, they would advance ten hundred per cent in price; but if the quantity be increased ten fold, prices would be stationary. It is not, therefore, the amount of money in a country that regulates prices, but the number of exchanges it makes for labour and products, within any specific period of time.

Suppose the circulating medium* be forty millions, and that it were to make double the number of exchanges for labour and products it now makes; in such case, were there no additional labourers employed, nor any more products created, wages, prices, and the rate of interest would advance a hundred per cent., and the aggregate of income would be augmented in the same ratio; but if such an increase of expenditure, should cause, as it *must do,* more labourers to be employed, and more products to be created and distributed, prices could not advance in proportion as the aggregate of incomes would be increased; consequently all classes would be benefited. On the other hand, suppose half the medium now in circulation be hoarded or deposited in banks, and were to make only half the exchanges it now makes, and the quantity of products, and the

* Medium, in the sense *here used,* is meant to apply to gold, silver, Bank of England and country bank notes.

number of labourers be the same, in such case, prices, profits, wages, the rate of interest, and the aggregate of income, must be reduced fifty per cent. And whether such medium consisted of gold, silver, or paper, the results must be precisely the same.

Suppose an island separated from the rest of the world be occupied by the owner, who cultivates the land, and by tradesmen and labourers, who have amongst them a thousand pounds in coin, but who neither own nor cultivate any portion of the land. In such case, this money will find its way to the landlord in exchange for his produce, and if, as he obtains it, he returns it to the tradesmen in exchange for their goods, and to the labourers in wages, it will be again returned to him for another and another supply of produce, the price of which will be regulated by the rapidity with which such money shall pass from one to the other; and if by such a process he should acquire it ten times in the year, his receipts and expenditure will be ten thousand a year. But if, as he acquires it, he hoards it, and it be not re-expended, his products can only exchange for a thousand pounds, and after he has acquired it, the demand for his products will be discontinued. He will, therefore, have an "excess of corn and cattle;" the tradesmen "an excess of goods," and the labourers will be in want of employment; and this state of things will be occasioned by his

hoarding the medium of the island. If, however, instead of hoarding or expending it, he deposits it at interest with a banker, who advances it in loans to others, it will be again returned to him for his produce. By such a process, therefore, he will renew the ability of the inhabitants to purchase the labour and goods of each other, and to continue their purchases of him; and he, at the same time, will be realizing a money capital due to him by the banker, to whom assets to a greater amount will be due from the other inhabitants. Now whether the money on this island consists of gold, silver, or paper, so that it be limited in quantity, the results would be exactly the same.

Suppose the circulating medium in England to amount to forty millions, that the products raised from the land exchange for two hundred millions, and other commodities for one hundred millions, in such case the aggregate of the receipts for products would be three hundred millions, which must be the aggregate of income. Now if one fourth of such medium consists of gold, and it be hoarded or exported, and another fourth be withdrawn from circulation, or be unemployed in the coffers of bankers, and the remaining half should make no more exchanges than the same amount of medium now makes, the produce of the land would only exchange for one hundred millions, and other goods for fifty millions, and the aggregate of income would be reduced from

three hundred millions to one hundred and fifty millions, although the quantity of products and the number of labourers may be considerably increased.

ON THE ABILITY OF THE BANK OF ENGLAND TO CONTINUE ITS PAYMENTS IN GOLD.

The Bank of England may be forced to suspend cash payments by any of the following causes; *viz.*—

By a general panic that may induce the community to withdraw their balances from bankers.

By an attempt on the part of the people generally to hoard a portion of gold, inasmuch as all the gold in the nation is not sufficient to supply each individual with a sovereign.

By a rise in the funds that may induce people, having capitals, to emigrate to other nations with the view of gaining a greater return of interest on them.

By a fall in foreign securities *in foreign* markets that may enable money capitalists to sell their English stock in England and remit the proceeds in the purchase of such securities.

By foreign states discontinuing their payments of the interest of the debts they owe the people of England.

By any considerable increase in the number of our absentees.

By foreigners selling the shares they hold of British securities and withdrawing the proceeds.

By loans to foreign states.

By a war demand for gold and silver to convert into coin to pay in wages to soldiers and sailors, and to remit in subsidies to foreign states.

By the speculations of money capitalists in the way already described.*

By two or three years of scarcity, which may render it necessary to import large supplies of foreign corn.

By two or three years of prosperity, that may create an increase of ability in the bulk of the people to purchase foreign articles, so as to cause the British demand for such articles to exceed the foreign demand for British goods; in which case, while the bills drawn on England in payment for such articles are convertible into gold at 3l. 17s. 10½d. the ounce, the balance will be paid in that metal. And,

By foreign states imposing such high duties on British goods as may make it to the interest of their subjects to import from England gold and silver in exchange for the bills drawn on her in their favour rather than British articles.

England annually imports from other nations

* See page 169.

products of one kind or other to the value of more than forty millions, the greater part of which are purchased by bills drawn on her merchants and bankers: her people travel and settle in all nations, and draw bills on their agents and bankers to the amount of several millions; and many millions of her public debt are the property of people residing abroad, who may at any time dispose of their shares for a paper money that is now convertible into gold at the Bank of England on demand. Hence it follows, that while such bills and shares in the public debt are convertible into a paper money, that the Bank of England is required to pay in gold on demand, its ability to meet such demand is, and must be, dependant on circumstances over which the directors and the government have no control.

England in her trade with other nations may be compared to a man who has two sources of income:—one derived from rents; the other from interest on money lent. If the public do not purchase the produce of his land, his tenants cannot pay their rents; and if the borrowers of his money cease to pay him interest, and he cannot obtain advances on his property, he cannot pay his debts, and therefore must become a bankrupt. It is the same with the nation. The nation has two sources of *foreign* income with which gold, silver, and all descriptions of foreign productions are purchased. The first is derived from the sale

of her goods and colonial produce in foreign markets, -- and the second from the interest accruing to the British people from the loans made to foreign states. These are the sources from whence England derives her ability to purchase gold and silver and other foreign articles. Should therefore foreign nations discontinue their purchases of British goods, and their states discontinue their payments of the interest of the debts due to England, or the number of our absentees should continue to increase, specie will be annually exported until the Bank will be obliged to discontinue its payments in gold.

Whether loans made to other states be contracted for in England, France, or Holland, the effects that result from them are exactly the same: —the shares are sold in the English market for Bank of England paper that is exchanged at the bank for gold which is exported in payment. While therefore Bank of England paper is payable in gold, any of the continential states in which our great money capitalists have confidence, may draw the gold from the Bank of England, by offering such interest on their bonds as may tempt the holders of British securities to sell out and purchase them

CAUSES OF THE LOSSES SUSTAINED BY BANKERS AND THE TRADING COMMUNITY IN 1826 EXPLAINED.

Sir James Graham informs us that "From 1822 to 1825, the Bank of England forced out its notes by every possible means, however contrary to every principle of banking; by loans on stock, and by the purchase of dead weight annuities; by advances to government to pay off dissentients on the conversion of five per cents. into four per cents.; and by a loan of two millions, at two and a half per cent., to the East India Company."

Such large sums of money being forced on the market and deposited in private banks at the very time when the funds were high and the rate of interest falling, and when bankers were already so overstocked with deposits as to be unable to dispose of the surplus, even by reducing their rate of discount, induced them to join other monied men in embarking in all kind of speculations that held out a prospect of their obtaining interest on the balances in their hands, and in these speculations they were eagerly joined by the public; and many people sold out of the funds, and deposited the proceeds with private bankers, to wait a more favourable opportunity of investing them in securities, from which a greater return of interest might be obtained. These speculations necessarily occasioned a considerable increase of expenditure, which, by increasing the demand, forced up prices, which

induced other speculators to purchase up the stocks in hand, and merchants to send large orders for additional supplies; while the high price in the funds enabled the great money capitalists to sell their British and foreign securities in England at a considerable profit, the proceeds of which they gradually exchanged for gold and silver, the greater part of which they exported. When, by such operations, the Bank was nearly drained of its specie, the directors became alarmed, and contracted their issues, advanced their rate of discount, and sold their Exchequer bills at a discount.

By such a process, from an excess of medium, a scarcity was produced, and the funds fell from 94 to 73. And such was the scarcity of money, and the difficulty of obtaining it, that merchants, builders, manufacturers, farmers, and tradesmen, that were abundantly solvent, were obliged to discharge many of their workmen and labourers, by reason of their inability to obtain advances on their property sufficient to pay their workmen's wages, while many tradesmen were obliged to dispose of their goods at ruinous losses, to enable them to meet the exigencies of the moment; and many bankers, whose assets were more than sufficient to cover their debts, were obliged to suspend their payments, which involved numerous merchants and industrious tradesmen in ruin, and the whole trading community in losses.

When, by the operations here detailed, the

3 per cents. were brought down to 72, the great money capitalists resold their foreign securities in France and Holland, and reimported the gold, and disposed of it to the Bank at a profit, and with the proceeds, purchased stock at 72, which they had a few months before sold at 90 and 94. They, therefore, by such means, realized immense profits, their gains being *what the other classes lost,* and the circulating medium was by such means increased.

ON THE PROFITS DERIVED BY THE BANK FROM THE FAILURE OF MANY COUNTRY BANKS, AND BY THE SUPPRESSION OF ONE POUND COUNTRY NOTES.

As since the peace the greater part of the gold imported has been purchased by the Bank of England *with its paper money*, it follows, that in proportion as the imports of this metal have exceeded the exports, the bank increased its issues of paper, and its ability to meet any demand for a metallic coin. And it also follows, that when the bank had, by such purchases, obtained gold to a greater amount than was required, as a reserve, it was the policy of the directors to endeavour to force an additional supply of its paper, and its *surplus* gold, into circulation *in exchange for securities bearing interest*. For instance,

Suppose the Bank to have twenty-four millions of paper in circulation, and twelve millions of gold in its coffers; in such case, its supply of specie would exceed, by four millions, the amount required to meet any probable demand for a metallic coin, and from which it would derive no profit. Now, if by advancing its paper and its gold to the state and the public, on securities yielding interest, it could force country bank paper out of circulation, and cause its paper to supply their place, its revenue must be so much increased; and if by making such advances, it forces the *surplus* gold abroad, it is benefited in a yet greater degree, inasmuch as such gold must be sold to the public, for securities bearing interest, or for its own paper; and if it be exchanged for the latter, the exportation of the gold must cause a corresponding increase of demand for a paper medium, which it never issues excepting for gold, or for securities returning interest. By such a process, therefore, the bank purchases gold with paper that comparatively *costs it nothing*; and re-issues it in exchange for securities, from which it derives a considerable revenue. Hence the suppression of one pound notes has been productive of considerable benefit to the Bank of England, inasmuch as the suppression of such notes has enabled it to dispose of gold, that would otherwise have remained unemployed in its coffers, for securities, from whence a large profit is derived.

In proportion to the amount of country notes withdrawn from circulation by the failure of some banks, and the run made on others; and in proportion to the amount of gold exported, in such proportion must the Bank have increased its issues of paper and gold, and, consequently, its revenue.

It should be observed, that although the bank is not obliged to purchase the gold imported, it is its policy to do so, and to purchase it at a price that will make it to the interest of the importers to sell it to the bank rather than send it to the mint, to be converted into coin; inasmuch as, were it so converted and circulated, it would force Bank of England paper out of circulation equal to its amount; whereas the bank, by purchasing it with paper that *costs nothing*, and subsequently issuing it in exchange for securities bearing interest, gains as much by the issues of gold, as by its issues of paper. Hence, if by the aid of the legislature, the Bank could succeed in causing the gold, which it purchases for almost nothing, and resells for public securities, to supply the place of country notes, it must be a considerable gainer.

On the measures adopted by the Bank of England, to increase the circulation of its paper, and to get relieved of its surplus gold, Sir John Sinclair makes the following correct observations:—

"The measures adopted by the directors of the Bank of England, to extinguish the country bankers, and to have the field of circulation exclusively to themsclves, is highly reprehensible. For attaining this object, the directors have abolished the commission of 5s. per £100; they have reduced the rate of discount from 5 to 4 per cent.; and they have discounted three months' bills, instead of restricting themselves to those bills only that have one or two months to run; and this they are enabled to do, by the emoluments they derive from privileges bestowed on them by the public, which are thus perverted to be an engine of private oppression."

ON A NATION'S HUSBANDING ITS RESOURCES.

Many legislators, political economists, and writers in periodical publications, complain of the losses the nation has sustained, by the numerous loans made to foreign states. They also bewail the great destruction of wealth, which wars have occasioned, while they, at the same time, contend that the nation has an "excess of labourers, and an excess of products;" and they require the government to have recourse to prohibitory laws, to check the supply of foreign commodities, and to furnish facilities to parishes, to enable them to

export to other nations their surplus labourers. Many of our legislators, and the public generally, are also clamorous in their appeals to the legislature, to reduce taxation, while, at the same time, they require the state to "husband its resources, and the resources of the nation."

Now these theories are *contradictory ;* and the measures recommended are *directly opposite* the one to the other.

The loans made to other states were paid with products created and obtained by the labour of the people, and in nothing else ; and the wealth which wars have caused the destruction of, consisted of people and products. A people cannot export to other nations any other species of property than the products created or obtained by their industry and themselves ; neither can wars cause the destruction of any other species of wealth.

If it were true, as these writers contend, that the nation is too populous, and products too abundant, such loans and such wars must have been productive of benefits instead of evils.

The resources of the state consist in its revenue ; we cannot therefore reduce taxation, and husband its resources at one and the same time. To husband the resources of the state, taxation should be increased, and the surplus revenue appropriated to the purchase of some property,

from whence an increase of income may be derived.

The resources of the nation consist of its people and *their* products; and these cannot be husbanded by encouraging emigration, nor by checking the supply of products. To husband the resources of the nation, we should encourage an increase of population, and afford every facility to the people to augment the supply of products.

An individual may husband his resources by expending less than his income, and by appropriating the surplus to the purchase of some other property, or by lending it to others at interest; and a state may do the same; but if it do, it merely causes a change in the division of property, and cannot by such a process augment the resources of the nation. The nation cannot husband its resources by buying *of*, or selling to, *itself;* neither can its wealth, or resources, be increased or decreased by its contracting debts, or by paying off debts contracted with its own members, unless by such a process it can augment the supply of products; inasmuch as all the property belonging to the people, is the property of the nation.

By reducing taxation the resources of the *state* are diminished.

By reducing the amount of, and the interest on, money capital, the resources of the people are diminished; and,

By emigration, and by checking the increase of supply of products, the resources of the nation are diminished.

By advancing loans to other nations we may cause an annual increase of supply of products, so long as the interest is paid ; but when that is discontinued, the lenders are losers ; but such loss will consist only of *products*, of which we are told we have an excess.

Such are the contradictions we meet with in the speeches of legislators, and in the writings of political economists.

LOANS TO FOREIGN STATES.

It has been stated in the preceding pages, that loans to foreign states *may* cause such an exportation of the precious metals, as to oblige the Bank of England to contract its issues, and even to suspend its payments. This, however, cannot happen when there is a large demand for British goods in the nations to which such loans are advanced.

The loans advanced by the people of England to France, Spain, and Portugal, and to the several states of South America, instead of causing the precious metals to be exported, so operated as to occasion an augmented supply.

The people of those nations have, for a long series of years, been in the practice of consuming British goods, in payment of which they have exported their gold and their silver. Now there is, perhaps, in each of these nations and states, gold and silver to a greater amount than in England; but they do not circulate. A large portion of these metals is hoarded by individuals who will neither lend them, nor expend them; another portion is acquired by merchants; and only a small portion circulates among the people.

Now although those who hoard these metals are unwilling to lend them to their respective governments, or to expend, or lend them to their own countrymen, they in general avail themselves of every opportunity to export them to England, either in the purchase of British goods or British securities, or in exchange for the commodities and securities of other nations. When, therefore, the rulers of these states have contracted for loans, instead of importing gold and silver in payment, they have drawn bills on the contractors as the instalments became due, which bills have been negotiated by their own merchants, who have remitted them to England in payment for British goods, and in the purchase of European securities.

The gold and silver so acquired by such states being, by such a process, drawn from the coffers of their merchants, and expended in the purchase

of the services and commodities of their people, created in them an increase of ability to purchase British goods, and these metals ultimately returned to the merchants, who had advanced them in exchange for the British articles imported. By such a process, therefore, the loans advanced by England to these states, draw their *own coin* from the tills of their merchants, which by being expended by their governments, created an ability in their people to increase their demands for, and purchases of British articles, which induced their merchants to increase their orders and augment their supplies. But when the last instalments were paid, and the money obtained on them was expended, the states to which they were advanced were obliged to expend less; the wages and the salaries of their servants were in consequence lowered, and many unpaid; expenditure was thereby reduced, and the demand for, and sale of British goods diminished: prices in consequence fell, and gluts ensued, and gold and silver again accumulated in the tills of their merchants.

By such a process, therefore, gold and silver to a considerable amount were drawn into circulation in these nations, which were ultimately exported to England in payment for British goods, and also in payment of the interest of the debts contracted by their governments.

When the several states of South America

shall settle down to a state of peace, the aggregate of their expenditure, and the amount of their circulating property will be reduced, their gold and silver will be acquired by their great landed proprietors and merchants; and the great bulk of their people will be destitute of the means of purchasing British articles, or, indeed, any other articles. They will, therefore, *exist* on the produce of their soil, which they may acquire a sufficiency of to supply their *present wants* for a mere nothing, and with little labour. But should their internal dissensions continue, their money will be drawn into circulation; many who have nothing will acquire it; a middle class will rise up; or, rather, the number of this class will increase, and their *wants* be augmented, to supply which an increase of demand for the services of their labouring population will be produced.

ON ABSENTEEISM AND FREE TRADE.

Dr. McCulloch has advanced the extraordinary doctrine that absenteeism is no evil; and Mr. McDonnel,* and others of their school, contend that there can be no difference between the effects of absenteeism and a free trade; and that, " if absenteeism is an evil, the importation of

* See McDonnell on Free Trade.

foreign corn and other foreign productions must also be evils."

Such fallacious theories, when advanced by professors of political economy, are calculated to do much mischief, and so operate as to bring this highly important science into disrepute.

It has been shewn that all incomes are derived from money and credit, expended in the purchase of labour and products; that when they are re-expended among the people, they renew their ability to continue their purchases; that the medium with which such expenditure is made, by passing from one to the other, causes the expenditure of one man to renew the income and expenditure of another; and that more or less of such medium is acquired alternately by all, until it returns to the parties from whence it came.

Now absentees, instead of returning to the people of their own country the incomes they derive from it, expend them among the people of other nations, and thereby create an ability in the people of those nations to purchase (were they so disposed) the products from the sale of which such incomes are derived. The absentee draws property from a country, and *sends back nothing in return;* whereas, were he to reside in his own country, such property would be consumed by his own countrymen.*

* This reasoning only applies to those absentees who draw incomes from their country.

Suppose an island to be the property of one man who resides elsewhere, but requires its inhabitants to pay him a rent in gold and silver. Now, if there be no export trade, all the precious metals would, in a few years, be exported in payment of rent, after which the occupiers must export a sufficiency of their produce and exchange it elsewhere, for enough gold and silver to enable them to fulfil their engagements; and they must do this, even although the remaining portion of their produce may be insufficient to supply the wants of their families, as is frequently the case in Ireland.* Hence, the produce they will export may be purchased and consumed by the people of the country, among whom the landlord shall spend his income; and their ability to purchase it will be derived from, and be preserved from year to year by, his expenditure of an income derived from the sale of commodities created by the labour of his countrymen. Now if the landlord resided in the island, and re-expended the income he derived from his tenants in the purchase of *their* services, and *their* several commodities, they, in such case, would acquire an ability to purchase and consume among themselves that portion of their products which they must otherwise export; and the money they pay in rent would pass alternately from them to their

* See Mr. Western's Letters, &c.

landlord, and from him to them again, and its circulation amongst themselves would excite in them a spirit of industry that would lead to an increase in the supply, the distribution, and consumption of products.

An absentee who draws an income from his country, and *sends back nothing in return*, drains her of a portion of her wealth: he is, therefore, a burden on it; but trade between nations is merely an exchange of articles, that the one has less occasion for, than for the products it imports in exchange; and a nation cannot be a loser by importing any foreign article in exchange for its own productions, provided all its labouring population are in full employ; or, provided such exchanges *do not diminish the demand for the labour of its own people*. But,

If a nation export its money in exchange for foreign productions, and such money be composed of a *foreign* commodity, and be not returned to it, and no other money be substituted for it; and if such exportation should cause a diminished demand for the labour and products of its people, in such case, their ability to pay rents and taxes, and to purchase the necessaries of life, is so much diminished. Hence such exchanges are productive of evils. But if such exchanges can be made without diminishing the amount of wages paid for labour, they are productive of benefits; and when they increase the demand for labour and

the supply of products, the benefits are so much the greater.

All exchanges are the exchanges of the *labour* employed in creating or obtaining, and exporting one article for the *labour* employed in creating or obtaining and importing another; all exchanges are, therefore, exchanges of *labour*, and the nation that can create by its labour and industry, the greatest quantity of products that are in general demand, may make the greatest number of exchanges, provided such exchanges are made by a medium *that is only convertible into its own commodities.** But a nation cannot make advantageous exchanges with other nations, while it have labourers unemployed, who, if employed, might create the description of commodities imported, unless, in making such exchanges, a greater number of labourers are employed than would be employed were such commodities created by the labour of its own people.

Although a nation cannot be a *loser* by exchanging the produce of the labour of its own people, for the produce of the labour of the people of another nation, it would be more benefited by exchanging such produce for the productions that its *unemployed* labourers would create were they employed.

* This theory will be more clearly explained under other heads.

If, by the aid of machinery, a thousand men can manufacture cotton goods that will exchange for gold and silver that would purchase in France as much silk, gloves, lace, and other articles, as two thousand English artizans could manufacture, and of a superior quality, it would be a wise policy to encourage such exchanges, and to levy a tax on the consumers of such articles sufficient to purchase the services of the British workmen, who would be no longer required to manufacture such goods; and who might, therefore, be employed in creating some other articles, or, on some public work that might benefit the nation. By such a measure the revenue might be increased, and the public benefited by having a *better article*, and also by the benefits accruing from the new capitals such workmen might create.

But when such exchanges are made, and such workmen *are, in consequence, deprived of employment*, expenditure in the purchase of labour is reduced, prices and wages therefore fall, and losses and distresses ensue; but the amount of the revenue may be increased by the increase of duties arising from the additional supplies of foreign articles.

It has been already shown that whatever money or credit is expended in wages, exchanges in its several stages of circulation for products and labour to many times its amount. For instance, it will go to the butcher, the baker, the victualler,

and the farmer, by whom it will be re-expended in payment of labour, and by such a process it will become the property of many before it returns to the parties who issue it, or be deposited in banks as savings.

Suppose an island owned by one man, who hires the land to one family, at a rent of a £1,000 a year; that the other inhabitants consist of tradesmen and labourers, who have between them a thousand pounds in coin. If this money be kept in constant circulation, it may be acquired by the farmer six or eight times within the year; in which case his produce will exchange for as many thousand pounds. But if he, or the landlord, or the other classes, should hoard it, and no other money be substituted for it, the farmer and the tradesmen must lower their prices, and the landlord his rent, and the labourers their wages.

Were Irish landlords to reside on their estates, and expend the money they derive from rents among their countrymen, the Irish people would, in such case, acquire an ability to purchase and consume the corn and cattle they now annually export to England; and such money would circulate among all classes, and might be acquired by their tenants, in exchange for their produce, many times within the year, provided they re-expend it, as they receive it, with tradesmen, and in wages to labourers, and also provided they advance their prices in proportion to the quickness

of its return in exchange for more of their produce. An advance in prices, *so produced,* would enable farmers and tradesmen to employ a greater number of labourers in raising and creating products; a larger supply would therefore be produced, which, the alternate changes of the money from the producer to the labourer, and from the labourer to the producer, would enable each class to purchase a larger proportion of. Hence, by such a process more products would be raised and created, and more purchased and consumed by every class.

The absence of the landed proprietors from Ireland deprives the labouring population of money wages. The produce of their lands is, therefore, raised almost without the use of money, and the money obtained on the products exported to England, is exchanged *in England* for the bills drawn on Ireland by her absentees; and, therefore, never circulates in Ireland, and does not, like rents in England, return by a circuitous course to their tenants, as it necessarily would do, were the landlords to reside in their own country. Now in England it is very different: in England the land is cultivated by labourers who have *money* wages, which, by being re-expended with shopkeepers, returns to the farmer and merchant, and landlord alternately; prices, therefore, rise and fall in proportion to the quickness with which the circulating medium passes from

the one to the other in exchange for their labour and products, and in payment for the hire of their property. Hence it is we find that in manufacturing towns prices are generally higher than in the country. All labourers employed in manufactures are paid in money wages, and until the peace, their wages were considerably higher than the wages of the agricultural labourer.

In many parts of Ireland there is scarcely any money, and the land is so badly cultivated as to yield scarcely half what it might be made to yield under a better system of tillage;—more than half the time of the occupiers and their families is unemployed, not from a disposition to idleness, but because there is no demand for their labour.

They are, in general, unacquainted with, and have no means of obtaining the improved implements of husbandry; they are also ignorant of the improved systems of tillage; added to which, they are impressed with the belief that were they to improve their land by their labour, and thereby increase their supply, and that were they to add to their comforts by improving their miserable places of abode, their rents would be advanced, and their landlords, or middle-men, have all the benefits of such improvements. Such, at least, is the impression on the minds of a large portion of the little farmers of Ireland. From these combined causes, the land of Ireland is scarcely half so productive as it might be made to be. There

is, in fact, no stimulus to exertion—no inducement is held out to the wretched occupiers to exert themselves to better their condition. Hence when any of them can by their industry realize a little money, instead of expending it in the purchase of those necessaries their families require, or in employing tradesmen in making their wretched hovels more habitable, they either expend it in drink, or hoard it, and, by so doing, withdraw it from circulation.

The Irish absentee draws from his country its corn and its cattle, which his own countrymen are in want of, and would gladly and gratefully purchase and consume were he to enable them to do so by purchasing their talents, their labour, and the produce of their industry, instead of expending his income in the purchase of the services and commodities of foreigners.

Although all absentees who draw incomes from their country, and send back nothing in return, bring distresses on their countrymen, yet, nevertheless, absenteeism from England is not productive of evils similar to what Ireland experiences from the absence of her landlords, inasmuch as the bills drawn on England in favour of other countries, are paid with products of one kind or other created by the labouring population of England, *who are paid for their work in money;* hence the more products are exported, so much the more money must be expended in wages to

the workmen who are employed in creating and exporting them. But this is not the case in Ireland, nor in any country in which the bills drawn on it are paid by the proceeds of *agricultural produce* raised by people who have scarcely any *money wages.*

MONEY CAPITAL AND CIRCULATING PROPERTY OF AMERICA.

The money capital of America, like the money capital of England, consists of *debts* due from individuals to each other ; and the circulating property of America, like the circulating property of England, consists of a paper credit convertible into a metallic coin, which is also debt. The people of both nations have derived their prosperity from the same causes : from a large expenditure of paper credit. In England, expenditure has emanated from the state. In America, it emanated from the people : the results have been the same in both countries. In England, expenditure was occasioned by the large war demand for the services and commodities of her people. It was the same in America. On the return of peace, expenditure was reduced, prices fell, and the whole trading community were involved in losses, and many in ruin. It was the same in America. The demand for the products of Ame-

rica emanated from the several nations of Europe. In England the demand emanated from her own people. The distresses of America have been occasioned by her inability to sell her products to other nations. The distresses of England have been occasioned by the inability of her *own* people to purchase of *each other*.

The inability of America to find foreign markets for her productions has been occasioned by the reduction in the expenditure of foreign states, which deprived their people of the ability to buy.

The inability of the people of England to purchase of each other has been occasioned by the reduction in the expenditure of their *own* government.

America, like England, has a great debt, which consists of debts due from one class of the community to another, and the interest is paid out of profits derived from the sale of commodities to the community at large. The debt of England is chiefly due from the state (which makes part of her community) to the people, and the interest is paid by taxes on commodities consumed by the whole community.

In England, the state borrows a paper credit, and expends it in the purchase of the services and commodities of the people, and in payment of the interest of its debt; and such credit, so expended, returns to the state in revenue.

In America, the trading classes in like manner

borrow a similar species of money or credit, and expend it in carrying on their trade, and it returns to them in exchange for the products its expenditure enables them to create, obtain, and sell from the profits on which the interest is paid. Hence the expenditure of a paper credit in America operates in precisely the same way as the expenditure of the same species of money in England, and although they emanate from different sources the results are the same.

As the interest of the debts or money capitals of England and America is paid by taxes and profits on commodities sold to the whole community, it is derived from the same source in both nations,—that is, from expenditure.

Taxes and profits, are *profits* derived from money and credit expended in the purchase of labour and products. In England, part of the profits so derived goes to the state in revenue; another, and a larger portion, to her landlords in rent; and the remainder to the community as interest on capitals embarked in trade, and on money lent by individuals to each other, and with the exception of what is hoarded and exported, they are re-expended in the purchase of more labour and products.

In America the profits on labour are considerably less than in England:—a large portion goes to the labourer—a small portion to the state in

revenue—a yet smaller portion to landlords as rent, and the remainder as interest on capitals embarked in trade, and on money lent by individuals to each other; and with the exception of what are hoarded and exported, they are re-expended in the purchase of more products.

It has been shewn that all incomes are derived from money and credit expended in the purchase *of labour* and *products:* hence, as the money and credit *so expended* in England is considerably greater than in America, or in any other nation, the incomes of the people are so much greater. And as all money expended in wages is exchanged either directly or indirectly for food and other agricultural produce, and as the aggregate of expenditure is considerably greater in England than in America, or in any other country, the demand for agricultural produce is so much the greater; but as an increase in the supply of such produce cannot be raised in England without a *greater increase of labour*, an increase of expenditure causes its price to advance, which enables landlords, on whose lands it can be raised with *less* labour, to obtain high rents; whereas in America the quantity of such produce may be increased in proportion as expenditure increases; and as it may be raised and carried to market by the same *relative* increase of labour, its price cannot advance considerably: hence the land of that country can

never yield high rents, excepting what may be in the vicinity of large towns.

The cause of the aggregate amount of profits on labour and products being so much more considerable in England than in any other nation, is to be attributed to the circumstance of money and *credit* to a greater amount being expended in England in the purchase of labour and products, all profits being derived from expenditure.

America has numerous banks that advance paper credit to the community at a certain rate of interest, which they receive back as deposits from those who acquire it, and re-issue it to others. By such a process, an American bank will contract debts to the amount of many hundred thousand dollars, and advance its credit to a greater amount, while all the specie in its coffers may not exceed thirty thousand dollars. With the interest obtained on the paper credit it lends, it defrays the expenses of its establishment, covers its losses, and pays the interest on the deposits made with it—and the surplus is profit. It is by the expenditure and circulation of such *credit* that the whole internal trade of America is carried on.

Were a panic to seize on the people of America, and runs made simultaneously on her banks for specie, every bank in America would be forced to suspend its payments, inasmuch as the bankers of that country are no more able to convert their paper money into specie on demand,

than the Bank of England is to pay off the national debt in gold.

In America there is scarcely any demand for specie for the *internal* circulation; and the supply, when compared with the expenditure of the people, is very limited. When England closed her ports against the corn of America, the silver of America was obtained from her bankers (in exchange for their paper), and exported to England in payment for British goods. Many of her banks were, in consequence, drained of their specie, and obliged to suspend their payments, which involved the whole community in losses, and many of their merchants in ruin. To prevent a recurrence of such a calamity, and to check the exportation of the metal into which the paper money of America is convertible, its government has been forced to have recourse to restrictive tariffs, that, by diminishing the supply of British goods, may check and prevent the exportation of their specie.

To have recourse to such a measure was, doubtless, an evil; but of two evils it was the duty of the government of America to choose the least. While England prohibits the importation of the produce of America into her ports, the Americans have nothing to offer her in exchange for her goods but specie, of which they have but a very limited supply, and of which they would have been soon drained, but for the high duties

levied on British articles. The government of America, therefore, had no alternative. It be-became its duty either to change its currency, or to have recourse to measures that might check the exportation of the metal into which its circulating property is convertible.

America is not, like England, dependent, in years of scarcity, on foreign nations for any of the necessaries of life. She can never be driven to the necessity of exporting her metallic coin to any considerable amount. She may, therefore, adhere to a paper currency that is convertible into silver on demand: but it is widely different with respect to England. England requires more or less of the produce of all nations; and in times of scarcity she requires large supplies of foreign corn, which her merchants will find it *to their interest to purchase with gold, while that metal can be obtained from the Bank of England in exchange for its paper, at £3. 17s. 10½d. the ounce*—that is, when high duties are imposed on British goods, in the countries from whence such corn is obtained.

It has been shewn that England may be drained of her gold by sundry means; but this is not the case with respect to America. People who realize money in America, either embark it in trade, or lend it to some of their *own* countrymen. They do not, like the people of England, advance their money to foreign states, nor specu-

late in the purchase of foreign securities. A convertible paper money may, therefore, answer very well in America, although it cannot exist in England when the people are prosperous.

As America has an abundance of good land uncultivated, she cannot, under any circumstances, have any occasion to import foreign corn, or to cultivate lands of inferior fertility, or lands that do not afford facilities for transporting their produce to market. Her excellent harbours, and numerous rivers, combined with the facility with which the timber (of which she has such an abundance) may be converted into shipping, enable the cultivators of her rich and fertile lands to raise almost all descriptions of agricultural produce, and convey it to market, with considerable *less labour* than the people of any other nation have the power of doing. Hence it is that, notwithstanding the high rate of wages in America, the price of provisions is generally low. These are the causes that have enabled the Americans to undersell the British manufacturer in many of the South American markets, and which will, in a few years, enable them to undersell us in every market of Europe, unless England returns to a paper currency, and the expenditure of her people in the purchase of labour and products be increased.

Should, however, England have recourse to a sound paper currency, and regulate its value *by*

the rate of interest, and *increase her expenditure*, it would be of no importance to her manufacturers or farmers how cheap other nations may be able to create or raise the articles they respectively vend. The foreign demand for her colonial produce and manufactured goods would, in such case, be governed by the demand for foreign articles in the British market, and the profits of the manufacturer and the merchant would be derived from the sale of such articles in England, which, with such a currency, must be imported in exchange for British goods, as *was the case during the war*.

It must not, however, be supposed that a mere change in the currency would be productive of good; on the contrary, such a change, if it be not accompanied by an increase in the aggregate of expenditure in the purchase of labour and products, would be productive of evils instead of benefits. As the distresses of the country were NOT occasioned by the change in the currency, so a mere return to a paper currency could not relieve them.

It has been the reduction in the aggregate of expenditure that has occasioned all the evils and distresses in the nation, since the return of peace; and it is only by increasing expenditure that such distresses can be relieved, or in any degree mitigated. And a change of currency is only necessary, because, without such change, it is impos-

sible so to increase expenditure as to find employment for the working classes, and thereby give incomes to all.

PROTECTING DUTIES AND PROHIBITORY LAWS.

When trade was in its infancy, England, with a view to encourage her manufactures, to increase the number of her seamen, and to find employment for her shipping, prohibited the importation of sundry foreign articles, and also the privilege of foreign shipping from trading with her colonies, the produce of which she supplied to other nations from England. These laws, therefore, *while England was continually involved in war*, were productive of incalculable benefits to her people. They so operated as to cause what is termed the balance of trade to be constantly in her favour; that is, they so operated as to cause a considerable portion of the metallic coin of other nations to be imported into England, in exchange for her products; which coin was subsequently converted into English money, and expended in the payment of wages to labourers employed in creating and supplying the home and foreign markets with her goods.

Now trade between nations is like trade between individuals. People who exchange their

products for money which they hoard, may increase their metallic wealth so long as they can find buyers; but when their customers have expended all their money, and cannot obtain in exchange for their own products an additional supply, they must part with their goods; and if they cannot sell them, they must discontinue their purchases, and provide for their wants as well as they can. It is precisely the same with respect to trade between nations.

Had England, therefore, remained for any considerable period in a state of peace, and her prohibitory laws been adhered to, her trade with other nations must have fallen off in proportion as she drained them of their circulating property; and the accumulation of such property in England would have given birth to evils similar to what the trading community, and the working classes, are now suffering, had not the numerous and expensive wars in which she has been engaged protected her from such a calamity.

During war, the gold and silver coin imported by our merchants was exported by the state in subsidies and in loans to other nations, and also in payment for provisions, clothing, and other necessaries, supplied to our army and navy serving abroad: and the expenditure and circulation of such money in the different nations to which it was supplied, created a renewal of ability

in their people to continue their purchases of British products.

Protecting duties, prohibitory laws, and a gold currency, so operate as to make the ability of our merchants and manufacturers to find foreign markets for British products dependant on the ability and on the interest of the people of other nations to barter their silver and their gold for them. Hence it follows, that in proportion as other nations are deprived of these metals, and in proportion as their people acquire the art of creating the kind of articles that England excels in manfacturing, and the means of obtaining colonial produce from South America and St. Domingo, in exchange for such articles, in such proportion must their demand for, and their purchases of British products, become less and less, unless England, by purchasing their productions, enables them to purchase hers without parting with more of their metallic coin.

ON TRADE BETWEEN NATIONS—HOW CARRIED ON.

Political economists, instead of making themselves acquainted with the mode in which trade is carried on between nation and nation, reason

upon what they *suppose* to be the state of things; hence, although their reasoning and arguments appear to be good, their theories are not only contradictory, but opposed to facts.

Mr. Mills, whose work is, perhaps, the best that has appeared on political economy, says, "If England, in a season of scarcity, sends to Poland for corn, the corn in England will not be loaded with the expense of both carrying home the corn and carrying out the cloth; while Poland will bear no part of the cost of carriage, but will have her cloth free of the cost of carriage, therefore as cheap as in England. The facts, it is evident, will be these:—The corn will be dearer in England than in Poland, by the cost of bringing it from Poland; and the cloth will be dearer in Poland than in England, by the cost of bringing the cloth."

This is not a correct statement. Trade between nation and nation is, in all respects, the same as trade between one town and another. If a man have occasion for articles from a distant market, he must be at the expense of sending for them, and pay the cost of their conveyance to him. It is precisely the same with respect to nations. When a nation is in want of the productions of other nations, and sends her commodities to be bartered in exchange for them, she must sell them for what they will bring, and with the proceeds purchase the foreign article.

Nations, like individuals, are buyers and sellers; demand emanates from the buyer, the supply is furnished by the seller; nations that send their productions to foreign markets are first sellers, then buyers. They dispose of their articles for the coin of the nation to which they are exported, and with the proceeds they either purchase a bill of exchange, or some other property, which they import in return.

When a nation exports her gold and silver, in exchange for foreign productions, or when she purchases such productions with bills on herself, that are at a discount, she is the *first* purchaser and consequently *creates an ability in the seller to purchase her productions in return;* and *if such bills be only convertible into a paper coin, she obliges her to do so,* or *to dispose of them to some other nation, that may be in want of the productions of the nation on which the bills are drawn.*

Corn is frequently sold in London for less than might have been obtained for it in the market town from whence it has been shipped. This is occasioned by its price being regulated by the demand and supply. The farmer sends his corn to London, in the hope of obtaining a better price; but when it reaches the market, prices have fallen; he is, therefore, at the expense of sending it to market, and at the cost of remitting the proceeds. It is exactly the same with respect to foreign trade. Merchants send goods to foreign markets

in the expectation of obtaining a good remunerating profit; but if, when the cargo arrives, the markets have fallen, the goods are disposed of at a loss.

When people send their corn and cattle to markets and fairs, they are at the cost of doing so. When the supply exceeds the demand, a competition exists among the venders, who, rather than lose customers, tempt them to buy by lowering their prices; but when the demand is greater than the supply, the competition is with the buyers, to secure the articles they are in want of, which induces the sellers to advance their prices. It is the same in foreign markets.

If England *sends* cloth to Poland in exchange for corn, she must be at the expense of exporting it, and must dispose of it at the market price, without regard to its cost in England. If there be a demand for it, it will sell at a profit; but if the market be overstocked, or there be no demand, it must be disposed of at a loss. If it sell five per cent. under prime cost, and the proceeds be exchanged for corn that will sell in England at a profit of thirty per cent., the loss on the cloth will be more than covered by the profit on the corn. In this case the cloth will sell at a lower price in Poland than in England, from whence it came; yet no loss will be sustained by the merchant, nor by England or Poland; for, although the expense of exporting the cloth, and bringing

back the corn will be defrayed by England, it will be merely the barter of one article for another, by which each will be benefited.

When the people are prosperous, that is, when landlords obtain good rents, the trading community good profits, and the working classes good wages, a large demand for all descriptions of home and foreign productions is created, and England becomes the general buyer, and sends her gold and silver, and gives bills of exchange, for foreign consumable articles. Hence, at such times, the amount of the exports of the precious metals exceeds the imports. But when the people reduce their purchases of foreign consumable articles, their prices fall below a fair remunerating price, and merchants find it more to their interest to import gold or silver, or, which is the same thing, bills of exchange, in return for the British articles they sell in foreign markets. When, therefore, distresses exist among the trading community, foreign consumable articles fall in price, a less quantity is imported, and the imports of gold exceed the exports; and such gold being exchanged with the Bank for its paper, causes an excess of medium, which forces up the funds.

During the war, England was the general purchaser. With her bills of exchange, *which were only convertible into paper money*, she purchased more or less of the productions of all nations; and, by so doing, *she created an ability in*

*their people to purchase her goods, and the produce of her colonies in return.**

When the reduction of expenditure on the return of peace, and the unfortunate corn laws, diminished the demand for foreign *consumable* articles, our merchants imported less, and gold and silver were remitted to England in payment for the goods she exported, until America and other nations were nearly drained of these metals, and also until, by the aid of British artizans, (which the want of employment had driven from their country) they succeeded in manufacturing for themselves the sort of goods they had heretofore been supplied with from England; and, besides supplying their own wants, they now export a variety of such articles to South America, in exchange for gold, silver, hides, cochineal, coffee, sugar, logwood, and numerous other articles such as they had been accustomed to import from England, in exchange for their corn and other agricultural produce, and which, even now, they would gladly and gratefully purchase of England, would England receive their natural productions, which is all they have to offer in payment.

Here we see that the reduction of expenditure on the return of peace, and the unfortunate corn laws, so operated as to deprive our old customers of a market for their productions in England;

* This theory will be explained under another head.

and then of their metallic wealth, which obliged them to discontinue their purchases of British goods, and drove them to their own resources.

England, therefore, by closing her ports to the natural productions of other nations, and by depriving them of their metallic coin, and converting it to her own use, has acted the part of a miser, who will neither use his wealth, nor give, nor lend it, nor exchange it for others. She, by so doing, has deprived her trading community of home and foreign markets for the produce of their industry, and her labouring classes of employment. But let us appeal to facts.

England excels in the art of manufacturing cottons, woollens, hardware, and numerous other articles; and she has an abundance of unemployed labourers, who, if employed, might, by the aid of machinery, create more than double the quantity of such articles that are now created. She has land uncultivated, that might be made to yield a greater supply of food than could be consumed by the labourers who might raise it; and her colonies might supply her with a considerably greater quantity of all descriptions of colonial articles than markets can now be found for: while South America would gladly and gratefully supply her with coffee, indigo, cochineal, logwood, hides, and numerous other articles, in exchange for her manufactured goods, which her merchants would gladly export in exchange, could remunerating

prices be obtained for the products of our colonies, and of South America, in the European markets.

Now Russia, Prussia, Poland, America, and other agricultural nations, are in want of the manufactured goods of England, of the products of her colonies, and of the productions of South America, which they cannot now obtain a sufficiency of to supply their wants, because they cannot find markets for their agricultural produce, which is all they have to offer in exchange, while a great portion of the population of the United Kingdom are in a state of destitution through the want of such produce, which *they* cannot purchase *at any price,* because they cannot get employment, or a remunerating profit on their labour. Now were the trade in corn and all other articles free, and no other duties imposed on them than what may be requisite to secure to the state its revenue, those unemployed labourers, whom our legislators and political economists are recommending to emigrate to other nations, might be employed in manufacturing, exporting, and exchanging the goods that South America and other nations require, and in exporting the products they may obtain in exchange to agricultural nations for the produce of their lands.

Were, therefore, such an interchange of labour and products encouraged and promoted, the now starving population of the several nations of the

world might be employed in administering to the wants of each other, and each might obtain an abundance of all the necessaries of life for their own use, besides sparing a large portion, if required, to their respective states in revenue.

Were such measures encouraged and promoted, abundant employment might be found for the people of all countries, and the resources of the nation, the amount of rents, profits, wages, and all incomes, might be augmented in proportion as trade and population may increase, inasmuch as more commodities of all kinds would be raised, created, imported, distributed, and consumed. Hence all classes would be prosperous, and an increasing population, instead of being considered as an evil, would be found to be, what it might be made to be, a blessing on the nation; and England would again become, what she was during the war, the general buyer of the productions of all nations, and her people the consumers; and London continue to be the GREAT MART OF THE WORLD. But so desirable a state of things cannot be brought about while the currency of England consists of a paper that is convertible into gold on demand, as the following details will abundantly prove.

THE MONEY OF MERCHANTS AND OF NATIONS.

Although *all* trade between nations is, in all respects, like trade between individuals, and consists merely in the exchange of the roducts of the one for the products of the other, which is mutually advantageous to both, such exchanges are not usually made in kind, nor direct, but by means of a species of credit called coin or money; and the internal trade of each nation is carried on by a money, or coin, of *its own*, which does not generally circulate, as money, in other nations. Exchanges between nations are made with another species of money, called bills of exchange, which are convertible into a specified portion of the coin of the nation on which they are drawn. These bills may, therefore be termed the money of merchants and of nations, it being with such bills that all other species of money, of coin, and of gold, silver, and all descriptions of products, are bought and sold.

Now, although such bills are convertible into a specified portion of the coin of the nation on which they are drawn, they fluctuate in exchangeable value *in the nations in whose favour they are drawn*, in which they are bought and sold like any other article. At one time they will exchange for, in such nations, a greater quantity of gold and silver than the money into which they

are convertible will purchase in the country where they are payable, and at another time for less. In some nations, therefore, they are sold at a discount, and in others at a premium,—their exchangeable and money value being regulated by the supply and demand, and not, as political economists assert, and as the public in general believe, by the number of grains of pure gold into which they are convertible *in the nations on which they are drawn.*

If England have payments to make to France, to the amount of three millions, and France have payments to make to England to the amount of only two millions, bills on England will be disposed of in France at a discount; and bills on France will sell in England at a premium; and *vice versâ.* And whether such bills be convertible into a specified quantity of gold or silver, or paper, it will be precisely the same. But the rate of discount and of premium cannot exceed the cost of importing in exchange for them, from the country on which they are drawn, *a property, of one kind or other, that will sell at a profit in the nation in whose favour they are drawn.* Hence, if bills on England in favour of France be convertible into a money that is convertible into a specified quantity of gold, the amount of discount on such bills can never exceed the cost of importing from England the gold, and selling it at a profit in France.

If France have a balance against England of two millions, and a balance against her with America to the same amount, and if England have a like balance in her favour from America, the holders of the bills on England will dispose of them to those who have payments to make to America, and the Americans will sell them to those who have debts to pay in England. By such a process there will be an interchange of products between the three nations, without causing the exportation of the coin of one nation to another. But if the holders of the bills on England can obtain a greater profit by importing from England *gold* or *silver*, or *any other property, into France*, in exchange for them, they will not dispose of them to the Americans.

During the suspension of cash payments, the exchangeable and money value of bills on England in other nations was entirely regulated *by the amount of purchases made by England of the products of other nations*, and by the amount of products they purchased of her ; and *not*, as people generally believe, *by the price of gold in England.*

In nations that purchase property of England that exceeds the money value of the property (exclusive of gold and silver, and bills of exchange on other nations) that England purchases of them, bills on England are at a premium ; and gold and silver, and bills of exchange on other

nations in favour of England, are remitted to pay the balance,—and *vice versâ.* It was precisely the same during the suspension of cash payments.

At the period when we are told, by political economists, and by the writer in the Quarterly Review, that the currency of England was depreciated twenty-five per cent., bills on England, that were only convertible into such currency, were sold in South America, at Jamaica, and in many other places, at *a premium*, and a bill of a hundred pounds would purchase in those places a greater number of grains of pure gold than is contained in a hundred sovereigns; and it was in exchange for such bills, and for British goods, that the gold and silver imported into England at that period were obtained. But at *the same period*, bills on England negotiated in France, were disposed of *in that country* at a discount of twenty-five per cent. Hence, bills on England of the *same amount*, and drawn at the *same time*, and convertible into the *same currency*, would purchase one-fourth more gold or silver in many other nations than in France, and a sixth more than they would exchange for in England.

Now this difference in their exchangeable value was entirely governed by the supply and demand, and without reference to the price of gold in England, which, like the price of any other article, was, *at that period*, entirely regulated

by the supply and demand, and by the cost for labour employed in obtaining it from other nations.

The merchants of South America and of Jamaica, and other places, having purchases to make in England, were obliged to remit either specie or bills, or some other property, in payment. Hence, in these places, bills on England were at a premium, equal to the cost of exporting specie. But in France it was otherwise. In that country the amount of bills drawn on England by English prisoners, and in payment for French articles consumed in England, considerably exceeded the amount of payments due from France to England: consequently, such bills were disposed of at a considerable discount; but such discount, instead of being a loss to England, was a benefit to her, and injurious to the trade of France; inasmuch as it operated as a bounty on the manufactured goods of England, and also on her colonial produce, and as a tax on French articles in the English and in foreign markets: as the following details will prove.

When merchants send their goods to foreign markets, they import in return whatever articles they can obtain the greatest profit on in their own markets, or in such foreign markets as are open to them. Consequently, when the rate of exchange was so much against England in France, the Americans, and other foreigners, who supplied

France with their productions, found it more to their interest to exchange the proceeds of their cargoes for bills on England, that were sold at a discount of twenty-five per cent. than for French goods. Instead, therefore, of importing the produce of France, in exchange for their own, their vessels brought wines, brandies, and other French articles, to England, and returned to their own countries with British manufactured goods and colonial produce, which, by such a process, they obtained twenty-five per cent. cheaper than they could otherwise have purchased them at. Hence, as has been already stated, the discount on the bills on England drawn in France operated as a bounty on English products, and as a tax on the articles of France; inasmuch as the importers of such articles were obliged to charge in proportion to the amount of discount on their bills. The prohibition, therefore, of the products of England into France was beneficial to England, and injurious to France; but this could not have happened, had bills on England been convertible into gold or silver; inasmuch as, had they been so convertible, they would have been sent to England, and these metals would have been smuggled into France in exchange, in which case neither the Americans nor the people of other nations, would have found it to their interest to have imported English goods in preference to French articles, in exchange for their products exported to France.

It was, therefore, the non-convertibility of the paper money of England into gold or silver, that rendered every effort of the French government to injure the trade of England, by prohibiting the importation of her productions into the ports of France, abortive.

ON THE ADVANTAGES OF A NON-CONVERTIBLE PAPER MONEY IN OUR COMMERCE WITH OTHER NATIONS.

I.—*Shewing the advantages that England derived, during the war, in her commerce with other nations, from her non-convertible paper money; and proving that her foreign and internal trade might be increased in proportion as population increases, and also in proportion as, by the aid of steam and machinery, a greater quantity of products may be created with a diminished portion of labour.*

In the preceding article it has been shewn, that the non-convertibility of the bills drawn on England into a metallic coin was beneficial to England and injurious to France; but as this is a theory that appears to be very little, if at all, understood, it may be proper to endeavour to illustrate it by additional details, although, in so doing, some repetition may be unavoidable.

The ability of agricultural nations to purchase the goods of England, and the produce of her colonies, is entirely dependant on their ability to

find markets for their productions, either in the English or in foreign markets. Now, during the war, England was the general buyer and the general consumer of the productions of all nations, and such productions were purchased with bills of exchange, that were convertible into a paper money. These bills, when received by the foreign merchants, were exchanged with other merchants, who imported goods from England, *for coin*, which was expended and circulated among their people, and thereby created in them an ability to purchase the goods of England, for which such bills were remitted in payment. The bills drawn on England in France, by English prisoners, and in payment for French articles imported to England, were, in like manner, converted into French coin, which, by being circulated among the French people, in exchange for their labour and products, created an ability in them to purchase the American articles, and the produce of other nations, for which such bills were remitted in payment,* while the consumption of the productions of America, and of other nations, in France, enabled the Americans, and the people of such nations, to purchase the goods of England, and the produce of her colonies. Hence the bills drawn on England in nations that consumed British products, created

* A few of the bills drawn on England in France were sold to Jews for English guineas, that were smuggled into France, in exchange for them.

an ability in their people to purchase them; and the bills drawn on England in France enabled the French people to purchase the produce of other nations, which purchases created an ability in the people of such nations to increase their purchases of British articles. England, therefore, was the source from whence the expenditure emanated that was productive of so many benefits to all nations, and such expenditure was made with bills of exchange that were only convertible into a paper money.

The bills on England in favour of other nations were, when due, paid by the parties on whom they were drawn, in Bank of England paper, which was exchanged for the products that were exported in exchange; the exportation of which created a corresponding increase of demand for the labour of the people to replenish the supply, which occasioned an increase of demand for, and issue of, paper money, in payment of wages; and such money, so expended, being subsequently exchanged and re-exchanged, for food and clothing, and other necessaries, caused prices to advance, and profits to increase, which led to an augmentation of income in all classes.

In proportion, therefore, as England increased her purchases of foreign articles, in such proportion did the foreign demand for the goods of England, and the produce of her colonies, increase; and in such proportion was the demand for the

labour of the people to create and obtain them augmented; and as the demand increased in a greater proportion than the supply, prices advanced, which gave an augmentation of profit to the producers and venders. While, therefore, we had a non-convertible paper money, and a large expenditure of paper credit, the ability of merchants and manufacturers to find foreign markets for their goods was entirely dependant on, and created by, the purchases made by England of foreign productions, which purchases she could not have made had the bills drawn on her in payment been made payable in a paper money that was convertible into gold on demand.

This *was* the state of things while England had a non-convertible paper money, and a large expenditure of paper credit. At that period it was of no importance to England, or to her manufacturers, how cheap other nations manufactured the sort of goods they sold, as their ability to dispose of them at a profit was derived from, and created by, the expenditure of the bills on England, given in payment for the gold, silver, corn, and all other foreign productions, the price of which, in the English market, was regulated by the expense of labour employed in creating and exporting the British articles that were disposed of in exchange, and by the demand and supply.

If England had a non-convertible paper money, it could be a matter of no importance to her,

whether gold, silver, or British articles be exported in exchange for foreign productions, inasmuch as, with such a currency, the results are precisely the same. If gold and silver be exported to any considerable amount they will advance in price, which will induce the dealers in these metals to purchase, with bills drawn on themselves, payable in English coin, an additional supply, which will lead to an increase in the demand for labour to create products of one kind or other, that must be exported in exchange for such bills. But this cannot be the case while the Bank of England is required to sell gold at *3l.* 17*s.* 10½*d.* the ounce.

With a gold currency, our foreign and internal trade is dependant on the foreign demand for British property, which demand must be diminished in proportion as we drain other nations of their metallic coin, and also in proportion as the rulers of foreign states impose high duties on British goods, which must necessarily make it to the interest of their subjects to create such goods themselves, or to import them from other nations, *while they can obtain payment for the articles they supply to England in gold at* £3. 17*s.* 10½*d. the ounce.* But,

With a paper money, our foreign and internal trade is dependant on the expenditure of such money *in England,* and the ability of the people of England to increase their expenditures is in proportion to their ability to augment their sup-

ply of products, into which all bills drawn on England would *then* be convertible.

Were England to lock up her gold, and have recourse to a sound paper currency, the duties which other states might impose on her goods would operate as a tax on their productions in the British market; inasmuch as, with such a currency, whatever articles England might purchase of France or America, or of other nations, must be imported in exchange for British property of one kind or other, or for a foreign commodity that had been previously imported in exchange for such property, *as was the case during the suspension of cash payments.*

Suppose England exports goods to America to the value of a million, that a tax of half a million be imposed on them in that country, and they only sell for a million: in such case there would be a loss of half a million; but if the proceeds be exchanged for corn, *which would sell in the English market for two millions,* there would be a profit of half a million, out of which the expense of making such exchanges would be defrayed; hence the tax on British goods in America would operate as a tax on the American produce in the English market. Such would be the effect of such a tax had England a non-convertible paper currency; but with a gold currency, it would be very different: with such a currency, merchants would send gold to America in exchange for their corn, and thereby

be able to undersell those who might import it in exchange for British goods.

With a paper currency, the exchanges being against us is productive of benefits to all classes, excepting to absentees, who do not benefit the country by their expenditure. But with a gold currency it is directly the reverse, inasmuch as when the exchanges are against us, and gold is exported to any amount, bankers are obliged to withhold advances from the trading community, which causes a reduction of expenditure, that occasions a fall in prices, wages, and profits, and a general reduction of income, that is injurious to all classes, excepting to annuitants. Whereas were the exchanges against us, and our gold locked up, there must be an increase of demand for British goods for exportation to pay the balance, and a corresponding increase of demand for the labour of the people to create and export them: while the loss that absentees would sustain on their bills on England would induce them to return to England, and benefit their own country by their expenditure—in which case, instead of being a tax and a burden on it, as they now are, they might render it a service.

With a sound paper currency the community might be protected from all losses from panics, or from fluctuations in prices, and be wholly and entirely independant of all other nations; and her merchants and manufacturers might carry on

their trade with confidence, and bankers might advance their deposits and their credit on all good securities without risk.

This, be it recollected, is a theory that is founded on *facts* and *past experience ;* which are far better guides to direct our judgment than the theories of political economists, who, however well conversant they may be in the art of stringing words, sentences, and phrases together, appear to understand very little of the science of which they are professors.

II.—*Shewing that large importations of foreign corn, and other foreign articles, if paid for by bills drawn on England, that are convertible into gold, causes a fall in prices; and a rise in prices when such bills are only payable in a non-convertible paper money.*

It has been shewn, that while paper money is convertible into gold on demand, the Bank of England must regulate its issues by its ability to meet the demand for gold, the amount of which in its coffers should be equal to one-third of the paper it issues; that private bankers also retain in their tills gold and Bank of England paper equal to one-third of the amount of deposits they are liable to be called upon to pay on demand; and that country bankers issue their credit, if it be demanded of them, equal to three times their amount of deposits of gold and Bank of England paper. It has also been shewn, that bills drawn on England

in favour of other countries, are negotiated at private bankers', who, when required, give either gold or Bank of England paper in exchange for them.

Now, suppose the Bank of England have seven millions of gold, and issue twenty-one millions of paper money, three millions of which, together with a million of gold, are deposited with the London bankers, and seven millions with country bankers, who, by having such deposits, and two millions of gold, advance their notes of credit to their customers, to the amount of twenty-seven millions, and that the gold in circulation amounts to twelve millions: In such case, there will be ten millions of Bank of England notes, and twelve millions of gold, deposited in banks—and eleven millions of Bank of England paper, twenty-seven millions of country notes, and twelve millions of gold, in circulation. Now, although all descriptions of property frequently exchange hands without the use of money, almost every article is purchased *by the consumer* with either gold, silver, or paper coin. And if we estimate *the average* expenditure of each individual in the United Kingdom, *one with the other*, at only a shilling per head per day, and the aggregate amount of the money in circulation at forty millions, we shall find that every pound issued from banks, purchases, on an average, labour and products equal to more than eleven times its amount, and multiplies income in the same ratio; and if we estimate the average ex-

penditure of each individual, one with the other, in the purchase of food, firing, and other articles of agricultural produce, at only 7d. per day, forty millions of medium, in its different stages of circulation, must purchase *such produce* equal to six times its amount.

Now suppose bills drawn on England, in payment of foreign corn, be exchanged for Bank of England paper, and such paper to the amount of two millions be returned to the Bank for gold, and the gold be exported; such an abstraction of gold from the Bank *for such a purpose* would induce the directors to contract their issues,* and London bankers would, therefore, be obliged to withhold advances from their customers, and to draw supplies of gold and Bank of England notes from the country bankers, who, in consequence, must contract their issues; consequently, the exportation of gold to the amount of two millions might cause a contraction of issue of credit to the amount of upwards of ten millions: in which case the aggregate of expenditure and of income would be diminished more than a hundred millions: and the aggregate of the proceeds of agricultural produce, be the quantity what it might, would be reduced upwards of sixty millions. But were the bills drawn on England only convertible into a paper money, the effects would be directly the reverse: inasmuch as, such paper instead of

* This would not be the case were the Bank to have gold in its coffers *to a greater amount* than it requires for a reserve.

being exchanged for gold must be exchanged for products, and re-exchanged for the labour employed in increasing the supply. For instance, if bills drawn on England in payment for foreign corn, should be exchanged for three millions of the paper money *deposited as savings in banks*, and such money be exchanged for products, and re-expended in the purchase of labour, the aggregate of the circulating property would be increased to that amount; the aggregate of proceeds of products would be augmented to the amount of thirty-three millions, and the aggregate of the proceeds of agricultural produce to the amount of eighteen millions, which would exceed by fifteen millions the value of the corn imported. Thus we see, that while we have a gold currency, if foreign corn be paid for in gold, its importation causes a ruinous fall in prices: but if it be paid for in a non-convertible paper money, it increases the demand for the labour of the people, which, by creating in them an ability to purchase, forces up prices. Hence it was, that during the war, in proportion as we increased our importations of foreign corn, and other foreign productions, in such proportion did wages and prices advance, and the internal trade of the country increase, and it could not be otherwise.

TAXATION.—THE DIFFERENCE BETWEEN DIRECT AND INDIRECT TAXES EXPLAINED.

People generally suppose that were taxation and the government expenditure reduced, and were a property tax substituted for taxes on articles of general consumption, the necessaries of life would be cheaper, and that the trading community and the labouring classes would be so much benefited: and this would undoubtedly be the case, *were the aggregate of expenditure and of income to remain the same,* and were such a change to cause the labourers who are now in the service of the state to be employed in creating and obtaining an increase in the supply of products. But if the advocates for such measures would be at the trouble to trace effects to their causes, and to ascertain the source from whence expenditure and incomes emanate, they would find, that any reduction in the government establishments, *while we have labourers unemployed,* or the substituting a property tax for taxes on commodities, would inevitably occasion a much greater reduction in all incomes that are derived from labour, or *from profits on products* sold, than the amount of the difference in the prices which any reduction of taxes, or any change in the mode of raising a revenue, could occasion. But as this is a theory that is directly opposed to the reasoning, arguments, and doctrines, that have heretofore been advanced on this important subject, and at vari-

ance with all our prejudices and pre-conceived opinions, it is necessary to explain the reasoning and facts on which it is founded, although, in doing so, some repetitions may be unavoidable.

In considering this subject, we should constantly bear in mind that taxes, rents, profits, interest, and wages, are all paid out of the proceeds of products annually created and sold; that *all money income* is, *directly* or *indirectly*, derived from wages paid for labour or services of one kind or other; and that the aggregate of the proceeds of products is *the aggregate of income.*

It has been stated in the preceding pages, that all wealth is derived from land and labour capitals; that money wages are as necessary to make the capital of labour productive as seed-corn is necessary to make the land produce an increase of supply; that as seed is taken from the crop raised, so money, bymeans of taxation, is taken from the quantity expended, and by being re-expended in the purchase of more labour, causes an increase of supply of products: and that, therefore, taxation is as beneficial to the capital of labourers as seed-corn is to the capital of land. Now, although this fact is incontrovertible, yet, nevertheless, such is not the effect of *all money raised in taxes.* Before seed can be sown, it must be raised. It is the same with money; before it can be levied from the people in taxes, it must be acquired. As land will not yield corn unless it be cropped with seed,

so cannot labour capital acquire *money* incomes, unless it have money wages; and it cannot have such wages unless money be expended, and it must emanate from one source or other. Corn is the seed which, by being sown, makes the capital of land yield an increase; and money is the seed which, by being expended in the purchase of labour, makes labour capital produce an increase of products. If a farmer be deprived of part of the seed he requires to crop his ground, and such seed be given to another, who sows it in his before uncultivated land,—there is no greater quantity of produce raised; the farmer from whom it is taken grows so much less, and he to whom it is given so much more. But if the farmer have more than he requires to crop his land with, and lends the surplus to another who requires it, a greater quantity of produce is raised, and the lender is repaid with interest out of the increase of produce raised by the borrower. It is precisely the same with respect to money and labour. If by poor rates, assessed taxes, or by any other taxes, money be taken from people who *would otherwise expend it in the purchase of labour and products*, and be given to others, there is no increase in the sale of labour or of products produced by *such a process*. When taxes so operate, they merely take money from one class of society, and give it to another, and the aggregate of expenditure, and of income, is not increased.

A great portion of the community live within

their income; some individuals lay by a part of their income for the purpose of making a provision for their rising families, and others with a view to accumulate riches. Now as all money incomes are either directly or indirectly derived from wages paid for labour, and services of one kind or other, it necessarily follows that, if people who acquire such money do not re-expend it, nor lend it to others to expend, the aggregate of the sum paid for labour and products must be diminished in proportion to the amount of the aggregate of savings. Hence we find, that in time of war an accumulation of savings was beneficial to the nation, inasmuch as the state was enabled to acquire them in loans and in taxes, and re-expend them in the purchase of the labour and products for which war created a demand. But in time of peace, when the expenditure of the state is less, the aggregate of savings considerably exceeds the demand for money on credit; the rate of interest in consequence falls, and the aggregate of the proceeds of products is reduced in proportion as the aggregate of savings exceeds the aggregate of money lent at interest, combined with the reduction of income occasioned by a fall in the rate of interest: prices in consequence fall, and the demand for labour and products become less and less. When such a state of things exists there is no inducement for people to embark in trade, and many are induced to emigrate to other nations, in the hope of bettering their condition.

Suppose the several classes of the community to reduce their expenditure fifty millions, in such case there would be so much less paid for labour and products, and the aggregate of income must be reduced to that amount, inasmuch as all incomes emanate from expenditure.

By means of taxes on products in the *lump*, the evils that result from the disposition of the people to hoard their money, and to accumulate money capital, are in a great degree prevented.

The Chancellor of the Exchequer, in anticipation of the receipts of the revenue, borrows the *deposits of savings* on Exchequer bills, and *the bills drawn on the public treasury by the creditors and servants of the state, are negotiated with such deposits,* and merchants having *duties to pay on the goods imported,* obtain in like manner *such deposits* from bankers, on bills at a long date, and the money *so obtained,* being remitted to the Treasury, and *re-issued* in payment of wages, salaries, and as interest to the servants and creditors of the state, is *re-expended* in the purchase of labour and products, and is again returned to bankers as deposits. Hence the money *so drawn from the tills of bankers* and *re-expended* among the people, creates a renewal of ability in them to acquire it, and to purchase the products on which the duties are levied, and to return part to the state in taxes.

Taxes on products so operate as to cause a rise in the prices of the article taxed, and an *increase in the amount of the circulating property, that con-*

siderably exceeds the amount of the taxes levied, which gives *to all classes an increase of income exceeding the difference* in the prices of products they respectively purchase and consume.*

If the state makes an increase of expenditure *before* it imposes the tax, it thereby creates an ability in the people to pay it; but if the money be *first* taken from the people, and then returned to them, it becomes a burden, inasmuch as in such case the aggregate of income and expenditure is the same. For instance. Suppose the aggregate of the proceeds of products to be four hundred millions, the aggregate of income will be the same. Now, if the state imposes a property tax to the amount of twenty millions, and it do not increase its expenditure *until it obtains the tax,* those who pay such tax would reduce their expenditure in proportion to its amount: consequently the aggregate of expenditure and of income would be the same. But were the state to make an expenditure of twenty millions *on credit*, and impose taxes on products to that amount, the aggregate of the proceeds of products and of income would be augmented more than a hundred millions; that is, provided such expenditure be made with a non-convertible paper money.

It should, however, be understood, that such results would not ensue, were the state to issue an increase of twenty millions of paper money. To preserve the value of such money, it must be

* See page 99.

careful not to increase the quantity in circulation, so as to cause it to accumulate in banks, and thereby cause a fall in the rate of interest. Whenever the rate of interest falls, it should borrow the excess from bankers, or obtain it from them by additional taxes, on products in the *lump*, and not by direct taxes,* and thus preserve its exchangeable value.

If a reduction of taxation could lead to an increase in the demand for labour and products, and occasion an increase in the supply and distribution of products, then, indeed, such reduction would be productive of benefits; but we know, from experience, in all countries, and from sound reasoning, that a diminution of taxes never did, nor ever can, produce such a result. If taxation be reduced, expenditure must be reduced; in which case, wages, prices, interest, profits, and incomes of all descriptions, must be reduced in a much greater ratio. Such have invariably been the consequences that have resulted from a reduction of expenditure, heretofore, in all nations, and it is wholly impossible it should be otherwise.

* The difference between direct and indirect taxes, and their operation, are explained more at length in the author's Essay on Political Economy; in which it is proved that were the assessed taxes taken off, and the duties on foreign wines and on other articles *lowered*, there would be such an increase of purchase of labour and products, as to benefit every class of society; and that the *increase* in the consumption of exciseable articles would be such as to cause the receipts of the revenue to exceed their present amount.

ON THE NECESSITY FOR RESUMING CASH PAYMENTS.

THE Bank of England obtained its charter on the condition that it should supply the public with a paper money convertible into specie *on demand.* In 1797 the Bank was unable to fulfil its engagements, and actually committed, by the authority of the state, an act of bankruptcy; but as the nation was then involved in war, and as the inability of the Bank to continue its payments in gold had been occasioned by the large advances made to the state it was empowered by the legislature to suspend its payments to its creditors, and to continue to issue a paper *credit, on the condition* that, when required by the legislature, it should exchange such credit for gold at *the old standard.* When this extraordinary power was vested in the Bank Directors—a power that nothing but the exigencies of the country could have justified the legislature in investing in any set of irresponsible persons—a pledge was given to the public by the government, that so soon as the causes that rendered this measure necessary were removed, the Bank should be required to fulfil its engagements.

The Bank, *by the possession* of such extraordinary privileges, has been enabled to realize a *profit* of more than twenty millions. The directors, therefore, have had abundant means, *even out*

of such excess of profits, to have furnished their coffers with more than a sufficiency of gold to fulfil their engagements with the public. And the state and the legislature were bound, in honour and in justice to the community at large, to require the Bank to resume its payments in gold. For surely it cannot for a moment be contended, that a company of irresponsible individuals should have the power of coining and issuing the money of the realm to any amount, and of increasing and decreasing the supply as it suited their interest; and, more especially, by issuing *a nonconvertible paper money* that had *no relative value* to *any other property*. Surely it cannot be contended that because such a power was intrusted to the Bank directors in a moment when the nation was beset by dangers and difficulties on every side, that it ought to have been continued to them one moment after the exigencies that forced such a measure on the legislature were removed. If, therefore, it be true that Mr. Peel's Bill has been instrumental in causing the existing distresses, such fact, if it be a fact, proves that the present system of currency is bad, and requires amendment, and that the privileges possessed by the Bank are injurious to the public weal; in which case it would be the duty of the legislature to deprive the proprietors of their charter. Lord Coke says, "The granting of exclusive privileges cannot be justified, except in a case, made out, of

'*urgens necessitas et evidens utilitas.*'" If, therefore, the Bank cannot or does not supply the public with a sufficiency of medium, *convertible into gold*, on demand (*on the terms on which it contracted to do when its charter was granted*), and *without causing such fluctuations in the supply* as to involve the whole trading community in losses and embarrassments, and many in ruin, it, in such case, becomes the duty of the legislature to withdraw the trust reposed in it, and to establish a *better system of currency.*

Sir John Sinclair, Messrs. Attwood, Western, Taylor, and numerous other writers on the currency, contend, that, had the legislature, when it required the Bank to resume its payments in gold, *lowered the standard one half*, that is to say, had the Bank been only required *to pay its creditors half the gold it had contracted to pay them*, and which the government and the legislature had pledged themselves to the public the Bank should be required to pay them, the nation would have been prosperous. Such is the extraordinary doctrine advanced by legislators, and other writers, who are lavish in their abuse on Mr. Peel, and on the other members of the King's government, for having required the Bank to pay its debts to the public in the species of metal in which it had contracted to pay them.

These writers appear to have adopted the notion, that the existing distresses have been

occasioned by an inability on the part of the Bank to supply the public with a sufficiency of gold; whereas *the very reverse of this is the fact.* The fluctuations in the money value of the currency, instead of having been produced by a deficiency in the supply of the precious metals, have been chiefly occasioned by the operations of the Bank Directors *to relieve their coffers of the surplus quantity of those metals which they had by them.* It has been already shewn, that when the influx of gold exceeded the amount required by the Bank for a reserve, it was its interest to continue to purchase it with its notes; and, by subsequently increasing its issues of paper and gold, force it into circulation, or out of the country. Now, had the Bank been required to have given only half the quantity of gold for its paper that it had contracted to give, its surplus of the precious metals would have been doubled: consequently its efforts to be relieved of it must have been so much the greater; in which case, the evils resulting from such operations would have been proportionally augmented; and had the Bank Restriction Act been continued, the distresses of the trading community must have been considerably greater than they are, unless, indeed, the aggregate of expenditure were increased.

Had the Bank Directors, subsequent to Mr. Peel's bill, *regulated their issues by the same rules that governed their proceedings during the war,* the

money value of the currency would have remained nearly stationary, and the supply would have been regulated by the demand; and, in proportion as people reduced their expenditure, prices must have continued to fall, and gold would have accumulated in the coffers of the Bank to an amount exceeding the amount of its paper in circulation; unless, indeed, the Directors had refused to purchase it; in which case it would have been converted into coin by the importers; and, by being circulated, would have forced the Bank of England notes out of circulation. It was, therefore, as has been already stated, the policy of the Bank to endeavour to force its *surplus gold* into circulation in the country, in the place of country notes, or to force it abroad; and it could not accomplish the latter object without increasing its issues, and *reducing its rate of discount*, until by such means the funds were so forced up, as to enable Jews and money-lenders to sell their funded stock, and export the gold at a profit.

It should be borne in mind that, during the war, almost all the gold and silver imported were required by the state to remit in subsidies to foreign nations, and to convert into coin to pay our armies serving abroad; and that, consequently, there was no surplus specie in the Bank at that period. It was, therefore, its policy and its interest to regulate its issues *by the demand for medium*.

The large importations of the precious metals since the peace, have been occasioned by the following causes:—By the corn laws—by the fall in the price of foreign articles in the *foreign markets*—by remittances from foreign states of the interest of debts due to the British community—and by the large sales of British goods in South America.

The fluctuations in the rise and fall of the funds, and in the supply of medium, and, therefore, in the *money* value of the currency, have been chiefly produced by the operations of the Bank of England, and the great money capitalists; but the fall in prices has been occasioned by a general reduction of expenditure—as has been already shown.

Had the collective expenditure of the community, whether made with money or credit, been sufficient to have found employment for the working population, the prices of products would have remained above the cost of producing them, and trade and agriculture must have been permanently prosperous; and, in such case, the balance of trade and the exchanges, must have been against England; consequently, England, from necessity, must have had recourse to a paper currency; it could not have been otherwise.

Messrs. Attwood, Western, Sadler, and other writers, have imputed the fall in prices, and the existing distresses, to a wrong cause. What they attribute to a change in the currency has been

produced by a reduction of expenditure: this is a truth which they have overlooked; and they have, in consequence, involved themselves and others in a labyrinth of errors.

They assert that the privations of the working classes have been occasioned by a scarcity of money; while everybody knows that, excepting during the panic, money was never in such abundance as it has been since the resumption of cash payments. It is notorious that, excepting during the panic, no difficulty whatever has been experienced in obtaining money to any amount, on good securities, at a lower rate of interest than it could have been obtained for during any period of the war.

Yet, with this fact staring us in the face, do we hear and read of legislators and public writers, complaining that all the existing evils and distresses have been produced by a scarcity of money, occasioned by Mr. Peel's Bill.

It is not pretended that the resumption of cash payments, and the suppression of one pound notes, have not been productive of some evils; on the contrary, in proportion as these measures have so operated as to have deterred bankers from making advances to the trading classes, in such proportion must the aggregate of expenditure have been reduced, and the collective income of the people diminished; and, therefore, in such proportion must the distresses of the trading classes, and the working population, have

been augmented. But it is contended, and may easily be demonstrated, that had not cash payments been resumed, the distresses of every class must have been considerably greater, and the exchangeable value of money, and of every thing else, would have been depreciated much more than they have been, unless the aggregate of expenditure had been so increased as to have kept the exchanges against England, or at par.

BANK OF ENGLAND AND THE GREAT MONEY CAPITALISTS.

On the Power now possessed by the Bank Directors, and the Great Money Capitalists, of causing a fall or rise in the funds, and thereby increasing or decreasing the money value of the currency, as it suits their respective interests.

Although, by the existing laws, the Bank of England are obliged to pay their notes in gold on demand, the Bank Directors, and the great money capitalists, actually possess the power of causing a rise or fall in the funds, and of causing an abundance or a scarcity of money, as it suits their respective interests. And the state, and the public (who are required by law to pay their rents, taxes, and debts, in gold on demand), are absolutely dependant on the Bank Directors whether they shall have the means of fulfilling their engagements or not.

It has been already stated that the Bank purchases *(with its paper)* the greater part of the gold and silver imported; a portion of which it converts into coin, and issues to the public in exchange for its notes, and advances to the state and to the community, on securities bearing interest; and that by the *sale* of such securities it has the power of withdrawing its notes from circulation, and of re-purchasing the gold it issues; and that by such a process, the directors can at any time cause such a scarcity of money as to occasion a fall in the funds, and involve the whole trading community in embarrassment, and many in ruin. It has been also shewn that a similar power is possessed by the great money capitalists, whose property, like the property of the Bank of England, consists chiefly of paper securities. When it suits their interests, they dispose of foreign bonds in France and Holland, and the gold they obtain in exchange for them they deposit in the Bank of England, and draw its notes to an equal amount, which being laid out on funded stock, accumulates as deposits in private banks; a rise in the funds is by such a process produced, and such rise continues in proportion as bankers endeavour to get relieved of their surplus deposits by purchases of stock: and as such purchases merely cause the deposits to be transferred from one bank to another, and do not relieve the market, the funds continue to rise

until money capitalists are enabled to re-sell their stock at a considerable profit, when they sell and re-purchase the gold of the Bank, which they re-export in exchange for foreign securities, or in loans to other states. Such exportations oblige the Bank to contract its issues, and withdraw its notes from circulation: a scarcity of money is by such means produced—the funds fall—numerous merchants and tradesmen are involved in bankruptcy, and all classes in embarrassments, save and except only the speculators (by whose operations such evils are produced), WHO GAIN WHAT THE OTHER CLASSES LOSE.

It has been proved that the money value of the currency, like the money value of every thing else, is regulated by the demand and supply of money: as, therefore, the Bank Directors, and the great money capitalists, have the power of increasing and decreasing the supply, when it is their interest to do either, they consequently have it in their power to enhance or depreciate the money value of the currency as it suits their respective interests. Such is, in fact, the power now possessed by a few individuals. And it is a melancholy fact, that the great money dealers, by their speculations in the funds, have been enabled to realize immense wealth, *at the expense of the industrious classes:* and should there be no change in the currency, there can be little doubt but that, in

a few years, nearly the whole of the public debt will become the property of a few individuals.

Surely, surely, such a power ought not to be possessed by any company, or description of individuals; and more especially by individuals whose gains *are derived from the losses sustained by the trading classes*, which are occasioned by the speculations and operations of the parties who are in possession of such power, and who become the gainers.

It has been seen, that during the panic,* neither gold, nor Bank of England paper, could be obtained on any description of securities, excepting at ruinous losses; and that, on its commencement, and while gold was exported, the Bank, instead of increasing its issues of paper in proportion to the amount of coin withdrawn from circulation by such exportations, and by the runs on banks, absolutely contracted its issues, and sold its Exchequer bills at a discount, and thereby increased the scarcity of money yet more; and that it continued to do this until the fall in the funds, occasioned by the sales of stock by bankers, which they were obliged to dispose of at ruinous losses, enabled Jews and stock-jobbers to dispose of their *foreign* securities in France for gold, which they imported and sold to the Bank at a considerable profit. When, by such a process, a

* See page 184.

turn in the exchanges was produced, the Bank increased its issues of paper from about £17,000,000 to £26,000,000, and its issues of gold to the amount of nearly £7,000,000, the greater part of which was obtained, in the way described, from the Bank of France.

Mr. Attwood, in his recent speech at Birmingham,* is reported to have said, "that in 1825 there were no less than £400,000,000 in bills of exchange in circulation, payable when due, in the coin of the realm, or Bank of England notes; and that the course of exchanges, and the balances of trade,† carried all the gold out of the country during that year. The consequence was, that £400,000,000 of bills were left without sufficient money in the country wherewith to pay them; they were in consequence returned, and every tradesman in the country imagined that the Philistines were upon him:" and this Mr. Attwood adds, and with truth, "WAS THE TRUE CAUSE OF THE PANICS."

That while such a state of things existed, bankers, merchants, manufacturers, and farmers, were unable to meet the demands made on them, and that many were involved in bankruptcy, and the labouring classes deprived of employment, and shopkeepers of a sale for their commodities,

* See the Courier for January the 27th, 1830.

† Mr. Attwood should have added, *and the speculations of money dealers.*

cannot excite surprise. *It could not be otherwise.* In what possible way, it may be asked, were the community to acquire the means of obtaining the medium, or money, in which the law requires bankers and the trading classes to pay their debts on demand, when the Bank, by which the state and the community are supplied with such medium, or money, instead of advancing it to the public on the *usual* securities, aided and assisted in withdrawing it from circulation? Is it fitting that such a state of things should continue to exist? Is it fitting that people should be required to pay taxes, rents, and debts on demand, in a species of money which they cannot procure on any terms; which may be at one time in abundance, and at another time so scarce as not to be obtained on any securities, excepting at ruinous losses; and which may be drawn from the Bank, and made to accumulate as deposits, until such a reduction of income arising from interest is produced, as to lead to a reduction of expenditure in the purchase of labour and products; and which may again be forced back to the Bank, and withdrawn from circulation, by individuals, whose gains and immense wealth, have been derived from the losses sustained by the trading classes, through the fluctuations in the supply, and consequently in the money value and changeable value of the currency, produced by such operations?

As, in the existing order of things, we cannot

do without a paper-money,—as we require it to pay taxes, rents, wages, and to purchase the necessaries of life,—surely it ought to be issued under some fixed and unalterable rules, regulations, and restrictions, that may enable every man to obtain, on his securities and property, a sufficiency to enable him to discharge his rents, taxes, and debts, and the wages of his servants and labourers *at a fixed rate of interest.* But by the existing laws, every man in business is liable to have a statute of bankruptcy issued against him, who may be unable to discharge such demands in a species of money that he dare not coin, and which, it is dependant on the Bank Directors, and on the speculations and operations of Jews and money-lenders, whether he shall have the means of obtaining or not—and the whole, or nearly the whole of which may be withdrawn from circulation by circumstances which neither he, nor the government, nor even the Bank Directors, can altogether control.

In considering this highly important subject, we should constantly bear in mind that, notwithstanding the immense losses sustained by the community in 1825 through the inability of Bankers and the trading classes to obtain money or Bank of England notes on their securities, excepting at ruinous sacrifices, THERE WAS NO ACTUAL LOSS OF REAL PROPERTY TO THE

NATION : *what one man lost, another gained,* and property merely CHANGED HANDS. Such losses merely caused some debts to be sponged out, and debts and money capitals to be transferred from individuals to individuals: but as such transfers were made *from persons who had been accustomed to expend the incomes they derived from their capitals in the purchase of labour and products,* to PERSONS who did not proportionally augment THEIR expenditure, the annual aggregate of expenditure was in consequence reduced, which consequently depressed wages, prices, and profits, and thereby caused a corresponding diminution in the aggregate of income.

Neither Messrs. Rothschilds, nor any other money-lenders, create wealth to the nation; their gains are acquired by speculations in the *purchase* and *sale* of gold and silver, and of *public securities,* the price of which they *now* have the means of raising or falling as it suits their interest.

It is to be hoped, that when the important subject of the currency shall be brought under the consideration of the legislature, his Majesty's Ministers, and legislators, will not permit their minds or their judgments to be biassed by the assertions of the Bank Directors, nor by the great money capitalists, whose interest it undoubtedly is to preserve a currency that works so well for themselves, and gives them a control even over the government itself. It cannot be expected that they will be

advocates for a change that would diminish their power and influence, and deprive them of the means they now possess of augmenting their riches by speculations that involve the other classes in embarrassment and losses, however beneficial such a change might be to society at large.

On the power possessed by the Bank of England Mr. Ricardo says—" When I contemplate the evil consequences which might ensue from a sudden and great reduction of the circulation, as well as from a great addition to it, I cannot but deprecate the facility with which the state has armed the Bank with so formidable a prerogative." And Mr. Mushet observes, that " The power which the Bank of England appears to possess over the funded property of the country, and, indeed, of all other property, is of such a magnitude as to require and to deserve the greatest attention of the legislature. They have it in their power, by an extension of their issues, of from one to two millions in the course of a few months, unknown to the public, except from their effects, to raise the price of consols from twenty to thirty per cent., and by withdrawing them again, to cause a serious fall." On the same subject, Mr. Tooke very justly remarks, that, " Next to the administration of the state, there is no administration of any office so immediately and extensively affecting the interests of the community, as that which

is entrusted to the Bank Directors, who are invested with the privilege of issuing paper money, and who, by the manner in which they exercise that privilege, have it in their power to produce great changes in the property and condition of every individual in the kingdom. No man, or set of men, ought, in my opinion, to be entrusted with that privilege."

REMEDIES FOR THE EXISTING EVILS, &c.

PROPOSITION I.

PLAN FOR AN IMPROVED CURRENCY.

Although the state and the legislature were bound, in honour and in justice, to redeem the pledge given to the public, when the Bank Restriction Act was passed, of requiring the Bank of England to pay the debts it might contract (by the issue of its paper money) in gold *at the old standard;* and although it may be easily demonstrated, that had not cash payments been resumed, the money of the country, and every man's property, would, ere this, have been depreciated more than fifty per cent. below their present value, and the distresses of all classes have been proportionably greater than they now are; yet, nevertheless, it has been proved, that the nation cannot, *by possibility*, be prosperous with such a currency as we now have, and that, therefore, another

change is indispensably necessary, from the following causes :—

First. Because the comparatively low price of labour and of food in France, and in other nations induce many British subjects to reside abroad, and enable foreign manufacturers to create, export, and sell at a lower price, many articles of the description that England had heretofore almost monopolized the sale of, in the American and in other markets.

Secondly. Because, from a variety of causes, it is impossible to have labour and food cheap in England, and the people prosperous.*

Thirdly. Because, if high duties be imposed by foreign states on British goods, it would be to the interest of their merchants to receive payment for their productions imported into England in gold, rather than in British goods or colonial produce, *while they can obtain, in exchange for their bills on England, gold at 3l. 17s. 10½d. the ounce.*†

Fourthly. Because the present currency affords facilities to the Bank Directors, and the great money capitalists, to increase or decrease the supply of medium, and consequently its money and its exchangeable value, as it suits their respective interests.‡

* See Prices, Profits, and Wages.

† See page 180.

‡ See the preceding article.

Fifthly. Because fluctuations in the money value and exchangeable value of the currency involve bankers, merchants, and the whole trading classes in losses, many in ruin, and all classes in embarrassment, excepting only the parties by whose speculations such fluctuations are occasioned, who realize what the other classes lose.

Sixthly. Because, by the existing laws, every man may require payment of his debts in gold coin, although there is not a sufficiency of gold in the country to pay one-twentieth part of such debts.*

Seventhly. Because it is impossible for bankers to furnish themselves with a sufficiency of gold to meet one-tenth part of the demands that might be made on them, were the community seized with another panic, or even with a desire to realize gold.

* There are no means of ascertaining the amount of the metallic coin in the country. Since the resumption of cash payments, about £28,000,000 of gold, and 8,000,000 of silver coin has been issued from the Bank of England; but as since that period every ship and almost every individual who has left the country, if only for a short period, has carried away more or less of such coin, and brought very little back:—as the butter, eggs, fruit, and numerous other articles, daily imported from France and Holland, are paid for in gold and silver, which the importers carry out of the country—and as smugglers purchase all the articles they import entirely with such money—we cannot calculate the amount of gold and silver in the country, including the deposits in the Bank of England, at more than 20,000,000l., of which, there is reason to believe, a very considerable portion is hoarded by individuals.

Eighthly. Because a panic may be produced by a variety of causes, which no act of the government or the legislature, nor any precautions of bankers can provide against.*

Ninthly, Because another Bank Suspension Act, if forced on the Government by an inability on the part of the Bank of England to fulfil its engagements, would involve the great mass of the trading classes in ruin, and the whole nation in confusion.

Tenthly. Because were all classes of the community prosperous, there would be such an increase in the importation and consumption of all descriptions of foreign productions, as to cause such an increase in the exports of gold as must lead to a repetition of the evils of 1826.

Eleventhly. Because the exchanges cannot *by possibility* be in favour of England, when all her population possess the ability to purchase for their families the necessaries of life, by reason that, at such times, the amount of the purchases made by England of other nations exceeds the amount of the proceeds of British goods exported.

Twelfthly. Because the nation cannot be prosperous unless employment be found for the working classes, and remunerating prices be obtained for the products and other property

* See the Author's Essay on Political Economy.

raised or created by their labour; which objects cannot be attained unless advances of money and credit be made by bankers, or by the government, to the trading classes.

And, lastly. Because bankers, who recollect the late panic, and the great sacrifices they were then obliged to make to obtain a sufficiency of money to meet the demands of their creditors, are now afraid to lend, lest the gold and Bank of England notes, may be again withdrawn from circulation by another panic, or by the sale of public securities by the Bank of England; and prudent and safe tradesmen are afraid to borrow, by reason that they cannot safely and beneficially employ their money in trade.*

Now, although these facts prove that another change in the currency is necessary, the country could not be benefited by having recourse to another Bank Suspension Act; on the contrary, such an act, *while the exchanges are in favour of England*, instead of being productive of benefits, would considerably aggravate the existing distresses. It is, therefore, desirable that a currency

* It is hoped that this recapitulation of the *facts* proved in the preceding pages will not tire the reader. The author in making them has been actuated by an apprehension that many of his readers may refer to his "remedies for existing evils," without reading the preceding articles: in which case, they may not be aware of the causes which render another change in the currency absolutely necessary.

should be established that may have a permanent and an unchangeable money value.

In the preceding pages it has been proved, that the money value of the currency is regulated by the *rate of interest*, and its exchangeable value by the amount *expended* *—that during the suspension of cash payments, the Bank discounted bills to the public at *a fixed rate of interest;* and that when the notes it advanced to the state at a *reduced rate* accumulated as deposits in private banks, to a greater amount than private bankers required as a reserve, and the public for medium, the surplus was returned to the state in loans, or in exchange for Exchequer bills, and part re-expended for the exigencies of the government, and part returned to the Bank of England in exchange for the securities on which such money was advanced; and that, by such a process, the supply of medium was regulated by the demand.† With respect to country bank notes, it has been proved, that when they have been issued to a greater amount than the public have required for medium, the surplus has been returned to the issuers in exchange for securities bearing interest, and become so much waste paper. The supply, therefore, of this species of money or medium was, during the suspension of cash payments, and

* See Value.

† See Currency during the suspension of cash payments.

until the panic of 1826, entirely regulated by the demand for medium.

These facts, and the operation of the currency during the war, abundantly prove, that a fixed and permanent *money value* might be given to a paper money by regulating the supply by *the rate of interest.* Yet, nevertheless, it is highly desirable that all money and medium should be made convertible, at the pleasure of the holder, into a property that *is in general demand:* and more especially so, as the legislature has it in its power to establish a paper coin that may be convertible into such property; and as such a coin would enable the state to have recourse to measures that would find employment for the working classes, increase the aggregate of expenditure, and of income, and at the same time cause a rapid reduction of taxation and of debt, and be productive of benefits to every class of society.

The public debt is an accumulation of savings, made at various periods, by the several classes of the community, and lent to the state. Now, by creating a national paper money, and issuing it in the purchase of, and *by making it at all times convertible into a portion of the public debt,* a fixed and permanent currency might be established that would have an unchangeable money value; and this object may be attained without depreciating the money value, or the exchangeable value of

any man's property, and without loss to any individual.

Establish a National Bank, and require it to create and issue to the public a paper money from one pound and upwards, in exchange for gold at 3*l.* 17*s.* 10½*d.* the ounce—for silver at the corresponding mint price, and in the purchase of funded stock at the undermentioned prices, viz.

For £100. of 4 per cents,	£105.
For £100. of 3½ ditto,	£100.
For £100. of 3 ditto,	£95.

Let the money so created, and so disposed of, be the coin of the realm; and let the public revenue be collected, and the government contracts, and the servants and creditors of the state, be paid in such money. Prohibit the issue of it *on any other securities*, excepting by the authority of Parliament.

Let the gold and silver so purchased be converted into British coin at the present standard, and be re-issued to the public on demand, in exchange for funded stock, at the undermentioned prices—

For every £100. of 4 per cent.	Stock,	100	Sovereigns, or silver at the corresponding mint price.
For every £100. of 3½	ditto,	95	ditto.
For every £100. of 3	ditto,	90	ditto.

Empower the state to grant perpetual transferable 3½ per cent. annuities and life annuities for

whatever national paper may be returned to the Bank. But let such annuities, as well as the interest of the national debt, the expenses of management, and all the expenses of the state, be continued to be paid out of the proceeds of the revenue, and let the surplus revenue be deposited in the national bank.

Impose a duty of ten per cent. on the precious metals exported, and grant a bounty of three per cent. on all that may be imported.

Require the Bank of England, and country banks, to pay their notes either in a gold or silver coin, or in the national paper, at their option; and require them to deposit in the National Bank funded stock equal to the amount of notes they respectively issue. Let the notes of banks that fail be received at the National Bank in exchange for its paper, or for transferable three-and-a-half per cent. annuities; and let the securities deposited become the property of the Bank. Such a regulation would secure to the holders of country notes an equivalent,—and protect bankers from the great losses which they are now liable to from panics,—and enable them to afford such additional accommodation to farmers, and the trading classes, as may enable them to find employment for the labouring population.

As a bank on this plan would only be empowered to issue paper in the purchase of the precious metals at the present *standard*, and

funded stock at a fixed price, and as the state would be required to pay three-and-a-half per cent. interest for such national money as may be returned to the Bank, the currency could not, by possibility, be depreciated by an excess of issue of paper, nor fluctuate in money value. For people would not dispose of their gold or silver, or funded stock, for a paper money, unless they can benefit themselves by employing the latter to advantage: and as individuals, who might realize the national paper to a greater amount than they may require for medium, might return it to the Bank in exchange for transferable annuities bearing three-and-a-half per cent interest, or for life annuities bearing a higher interest, or for funded stock that might be re-exchanged for a gold or silver coin, the supply of medium, and of a metallic coin, would be entirely regulated by the demand. With such a currency, therefore, people having property could experience no difficulty in obtaining money on mortgage to any amount, and at a moderate rate of interest, inasmuch as fundholders would gladly sell their stock, and lend the proceeds at a trifling advance of interest on good securities.

It will be observed, that whatever funded stock may be purchased with such money, would be so much debt redeemed; and that in proportion to the surplus revenue returned to the Bank from

the Exchequer, and in proportion to the amount of annuities purchased, in such proportion must there be a corresponding increase of demand on the part of the public for money, which must necessarily be obtained in exchange for shares of the public debt, equal to the amount of money returned to the Bank.

The proposed duty on the precious metals exported, and a bounty on all that may be imported, would operate as a tax on all other foreign articles imported, and on absentees, and also as a bounty on British goods and colonial produce exported; such a measure would enable our manufacturers and colonial merchants to undersell other nations in foreign markets; make it the interest of foreign nations to import British goods in exchange for their productions exported to England; and, at the same time, secure to our agriculturists ample remunerating prices for their produce.

When the imports of the precious metals may exceed the exports, the surplus would be sold to the National Bank for its paper; and when the exports may exceed the imports, and their prices rise above the Mint price, they would be purchased of the Bank; but this fluctuation in their money value would have no other effect on the British community, than that of causing a rise in the price *of foreign articles in the British markets;* where the *prices of all foreign productions must*

necessarily rise and fall in proportion as the price of the metal of which their metallic coin is composed fluctuates in London.

A bank on this plan would deprive the Bank of England and the great money capitalists, of the power they now possess of increasing or decreasing the amount, and, therefore, the money-value of the circulating property, as it suits their respective interests. For instance: suppose the Bank of England to increase its issues, by advancing its paper at a reduced rate of discount, and on all descriptions of securities, as it did between 1822 and 1825. In such case, its notes, that may not be required by the public for medium, instead of accumulating in the tills of private banks as deposits, and causing a fall in the funds, would be returned from whence they came in exchange for gold or national paper, which would be returned to the National Bank in the purchase of annuities. Instead, therefore, of such issues forcing the gold and silver abroad, as was the case between 1822 and 1825, they would force these metals into the National Bank, from whence they would be re-issued at a profit to the nation, in exchange for shares in the public debt, as the community might require them.

Should the gold and silver coin be hoarded, or exported, their place would be instantly supplied by national paper, obtained in exchange for portions of the public debt; and when these

metals may find their way into circulation again, the paper money would be returned from whence it came, in exchange for transferable and life annuities. By such a process, therefore, the supply would be wholly and entirely regulated by the demand.

Should Messrs. Rothschild, or any money lenders, contract loans with other states, they must be paid either in gold or silver, or in British goods and colonial produce. If they be paid with the precious metals they would advance in price, and be obtained from the National Bank *in exchange for so much public debt*, and the duties on the sums exported would cause a corresponding increase of revenue. If they be paid with British goods and colonial produce, the exportation of such products must create an increase of demand for the labour of the people to replenish the markets; more shipping, more sailors, labourers, and tradesmen, of all descriptions, must consequently be employed; more money must, therefore, be expended in wages,—more products would be created, purchased and consumed: consequently, wages, prices, profits, and all incomes, would increase, and the receipts of the revenue be augmented; while the public debt would be redeemed *equal to the amount of gold and silver, and national paper, for which such an increase of expenditure might create a demand.* Such loans, therefore, with such a currency, instead of being productive

of evils, would, during periods of peace, be productive of a great public benefit, even, although their amount might be ultimately lost to the nation.

Should the nation be involved in war, the state might obtain money to almost any amount without the imposition of any additional tax. For instance:—Suppose the state required thirty millions in addition to its income: the legislature might require the National Bank to advance such a sum by monthly instalments. This money would be circulated through all classes of the community, and be acquired by all in turn; and as it would be chiefly expended among the labouring classes, it must be acquired many times by the agriculturist, in exchange for food, before it could return to the Exchequer in payment of taxes: while *such as may be realized as savings*, and *may exceed the demand for medium*, would be returned to the National Bank in exchange for annuities. In proportion as such an increase of expenditure might cause the *increase of demand* for labour and products to exceed the *increase* of supply, in such proportion must wages and prices advance, profits increase, and all classes be benefited; and in proportion as expenditure is increased, and the rate of wages and prices advanced, in such proportion must there be an increase of demand for money and medium, and an increase of consumption of all descriptions of exciseable articles.

We may fairly calculate that such an increase of expenditure on the part of the state, made with *such a currency*, would cause an increase in the revenue (without any additional taxes) to the amount of ten millions, and increase the demand for national paper money five millions; consequently, only fifteen millions could be returned to the National Bank in the purchase of annuities. Hence an increase of expenditure of thirty millions would only cause an increase of debt of fifteen millions, bearing an interest of three-and-a-half per cent., while the increase in the aggregate annual income of the community, produced by such an expenditure, *if made with such a currency,* would be augmented to a much greater amount.

PROPOSITION II.

In the preceding pages it has been proved that England is indebted for her prosperity to the numerous wars in which she has been engaged; and that all nations that have been most frequently engaged in wars, or that have furnished the belligerents with the greatest portion of materials for which wars create a demand, have become the most wealthy and prosperous. Now, although these are facts that have been demonstrated, it

nevertheless cannot be disputed but that wars are evils; and that, had similar benefits been produced by other means, the nation must have been far more prosperous. If a man have a diseased arm, he may be restored to health by having it amputated; but if he can get it healed without undergoing such an operation, he is much more benefited. It is the same with respect to the nation, When a mass of people are in a state of destitution, through the want of those necessaries which, if employed, their labour might raise or create,—and when the producers of such necessaries are also in distress by reason of their inability to dispose of them at a profit, the nation may be said to be in a state of disease, of which she would be cured by a renewal of war: inasmuch as, were war to commence to-morrow, every labourer would find employment, and be able to purchase those articles, for the want of which many are now in the greatest distress, and every tradesman and farmer would find good markets for their several products. Hence, although wars, taxation, and a public debt, are evils, they are evils that have been productive of good—they are evils of a much less magnitude than those which now exist. A renewal of war, an increase of taxation, and an increase of debt, would, therefore, be productive of benefits; but the nation would be far more benefited were the unemployed population employed in creating new capitals, from

whence future sources of income might be derived, and an ability be thus given to them to purchase those products for which our merchants, farmers, and tradesmen, cannot now find a remunerating market.

The good that wars produce results from the large expenditure of money and credit in the purchase of labour and products; and it has been shown, that it was the war demand for all descriptions of articles and for labour, that brought the inventive genius of man into full play, and gave birth to the numerous scientific discoveries that have enabled the trading classes to raise, create, and import, every description of commodity with a considerably reduced portion of manual labour. Had, however, a similar expenditure been made during periods of peace, and had those who have been employed as soldiers and sailors, or as labourers, in creating the materials and property that wars have caused the destruction of, been employed in raising, creating, and importing products to supply the wants of each other, or in cultivating waste lands—in excavating canals—in improving towns, roads, and other public works, the resources of the nation would have been considerably greater, and the people more prosperous. But we know from experience, and from the history of all nations, and, more especially, from what has occurred since the restoration of peace, that had there been no such wars, there

would have been no such expenditure, and that, therefore, there could have been no such demand for the labour and products of the people: consequently, no such benefits could have accrued.

We have seen in the preceding pages that all incomes are derived from the expenditure of money and credit—that an increase of expenditure causes wages and prices to advance, and profits to increase, which, by occasioning an *augmented supply of products,* causes the RISE IN WAGES, and *the increase of profits to* EXCEED *the advance in prices;* and that, therefore, the ability to purchase is increased in a greater proportion than prices rise. We have also seen, that a reduction of expenditure, reduces income—lessens the demand for labour and products—depresses wages, prices, and profits—and diminishes the supply of commodities; and that, therefore, the ability of the trading and labouring classes to purchase, is reduced *in a greater ratio than prices fall.*

It has been proved, that the war expenditure emanated from the state; that when the state reduced its expenditure, all incomes derived from wages and profits were reduced in a *greater proportion than prices and taxes;* that since the panic the aggregate of expenditure, and, consequently, of income, have been annually reduced more and more; and that they must continue to diminish

more and more, and the distresses of the trading and labouring classes must become greater and greater, in proportion as people hoard their savings, or deposit them in the Bank of England, *if they be not lent to others and re-expended ; and that the distresses of the country cannot, by possibility, be relieved, unless there be a considerable increase of expenditure of money or credit in the purchase of labour and products.*

Now this object may at all times be obtained by the state borrowing the savings of the different classes, and credit of the Bank of England, and expending them in employing the unemployed labouring population ; but the state cannot do this without increasing taxation, and the public debt, which the great bulk of the people consider as public burdens. It is, therefore, desirable, that the legislature should have recourse to measures that may induce people to embark their savings and money capitals in employing the labouring classes in creating new capitals, from *whence future incomes and expenditure may emanate*, and which may at the same time enable the state to reduce taxation and the public debt. And it is respectfully submitted to the consideration of his Majesty's government, and of our legislators, that these objects may be most effectually attained by carrying into effect some such measures as the following :—

So soon as a sound paper currency shall be established, let the state purchase with Exchequer bills as much foreign corn as can be obtained under what may be deemed an *ample* remunerating price to the cultivator of our worst soils, and *not re-sold to the public under such price.* The corn so obtained would be purchased *of the merchants* of the several nations from whence it is imported, with bills on England, convertible into gold, silver, or national paper, *at the pleasure of the parties on whom they might be drawn;* but the foreign merchants from whom the corn would be purchased, would pay *their* farmers who raise it, and their labourers for conveying it to the coast; and for shipping it, and all other expenses, with *the coin of their own country,* which coin, but for such exportations, might be unemployed in the tills of their merchants and bankers; consequently, such sales would occasion a large expenditure of money, and give an increase of income to the landlords, farmers, tradesmen, and to the labouring population of agricultural nations, and thereby create in such nations an increase of demand for, and consumption of British goods and colonial produce, in exchange for which, the bills drawn on England, in payment for their corn, would be remitted.*

* See pages 225, 231, 238.

The importation of such corn, the increase of colonial produce, for which such importation must create a demand, and the exportation of the latter, and of British goods, must find employment for many hundred thousand tons of shipping, the building, repairing, equipping, and storing of which, must create a very considerable increase of demand for every description of articles, and for the services of every class of tradesmen and labourers, and give incomes to millions of the population who are now destitute of the means of earning a sustenance for their families; while their expenditure in the purchase of food and clothing, would so increase the demand for all descriptions of articles, but more especially for agricultural produce, as to force up prices beyond what is now considered as affording ample remunerating profits to the producers. All classes, therefore, excepting annuitants, would have an augmentation of income, and increase their supplies and consumption of products, while the large profits arising to the state from the sale of the foreign corn at *an advance of price*, and the increase of consumption of exciseable articles that such an increase of income would occasion, must cause a corresponding augmentation of revenue. Added to which, the increase of issue of national paper, for which such an expenditure must create a demand, would cause so much reduction of public debt.

Should some of the bills drawn on England in payment for the corn imported be converted into gold and silver coin, and these metals be exported, the demand for national paper in exchange for shares of public debt must be proportionably increased, and the debt be so much diminished, and the revenue augmented equal to the amount of the duties on the metals exported; while the rise in their price in England occasioned by such exportations, and the subsequent expenditure of them among the people of other nations, must so much increase the foreign demand for British goods and colonial produce, and, at the same time, augment the profits of the British merchants who import these metals in exchange for their commodities.

PROPOSITION III.

Let the state advance Exchequer bills to corporations, to public bodies, to companies, and to parishes, on condition that they employ the unemployed population in cultivating waste lands—in excavating canals—in making new roads—in improving towns and harbours—in making docks, and other public works, that may be productive of benefit to the nation, and from whence future

sources of income may be derived; and let such bills be advanced *for a limited period*, at a low rate of interest, or *without interest*, on condition that the parties to whom they may be lent undertake to expend twice, or three times, their amount, in completing the works on which such advances may be made.

By a measure of this kind, such an increase in the aggregate of expenditure would be produced, as to force wages, prices, and profits, higher than they have ever yet been,—and lead to such an increase in the supply of products, as to enable every class of society, excepting only annuitants, to increase their purchases of every necessary of life: while the increase in the revenue, arising from the augmented consumption of exciseable articles, would enable the state to reduce taxation and the public debt. Such a measure must cause an increase of demand for the national paper money, equal to at least one half the amount of Exchequer bills advanced, which would be so much diminution of debt; and we may fairly calculate, that such money would be acquired by the state, in payment of duties and taxes, *at least twice within the year*; consequently the Chancellor of the Exchequer would be able to redeem the bills without the imposition of any additional taxes, and, at the same time, appropriate a surplus revenue to the reduction of the debt.

If we take facts as our guide, we shall find that the public revenue has at all times *more than doubled* the amount of Bank of England notes issued, even when the supply has so exceeded the demand as to cause them to accumulate as deposits in banks. We may, therefore, fairly calculate that every pound of paper money issued by the national bank, *provided it be issued under the restrictions here proposed,* would find its way into the Exchequer oftener than twice in the year, and without the imposition of any additional tax.

During the war a considerable portion of the Bank of England notes issued by the state in payment of the services of the king's servants were deposited in banks, and *returned to the Exchequer in loans, without having been circulated among the people.* Yet, notwithstanding this fact, the amount of the revenue, even at that period, more than doubled the amount of Bank of England notes and gold issued, and exceeded the total amount of the Bank of England notes, country bank paper, and gold and silver in circulation, which at no period of the war exceeded £70,000,000.

PROPOSITION IV.

Let bounties be granted to companies that may employ a portion of the unemployed labourers in

foreign fisheries. Suppose the cost of building, equipping, and storing a ship for such a service be about £4,000. This money would be chiefly drawn from the national bank, *in lieu of so much debt*, and be expended and circulated among the people employed in creating and preparing the materials, and in building and storing the ship. By such a process, therefore, there would be an addition to the circulating property to the amount of £4,000—so much increase of wealth to those by whom it would be acquired—so much debt redeemed—and a new capital (the ship) created. The fish that may be caught, might be sold in Spain or Portugal, in our West Indian colonies, or in South America, and the proceeds exchanged for articles that may be in demand in England, which might be purchased out of the money expended in building and fitting out the ship; while the duties on the articles imported would exceed the amount of the bounty requisite to induce people to embark their capitals in a speculation from whence so beneficial and profitable a trade might be carried on, in addition to which, the state would derive an increase of revenue, from the expenditure of the money so acquired and so expended, equal to its amount.

Should there be a renewal of war, such bounties might be withdrawn—their amount be appropriated to the services of the state—the men em-

ployed in such fisheries (who would make most efficient seamen) would be available for the services of the navy—and the ships might be employed by the government as transports.

THE END.